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The impact of the U.S.A. on the world in general and on Britain in particular is plainly more direct and more powerful than ever before ; its results will affect all our lives. Bretton Woods, the American Loan, the Truman doctrine and the Marshall Plan, call for understanding not merely of the forces controlling American foreign policy, but also of the influence of those forces on American domestic policy. The consequences for Britain if the pursuit of this foreign policy should result in American domination over the non-Socialist world also need examination.

Britain has big decisions to make. Is she to become a junior partner or a little brother to the U.S.A.? Is there an alternative? How will American policy affect our domestic plans and standards? These and many other questions are raised by Mr. Pritt, whose power of lucid exposition is well-known, and he provides the analysis and information on which they may be answered.



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# STAR-SPANGLED SHADOW

BY

D. N. PRITT, K.C., M.P.



"The unity we have made for war is nothing to the unity we will have to build for peace. After the war—that's when the cry will come that our unity is no longer necessary. *That's* when the job will begin . . . in earnest."

*President Roosevelt, at Casablanca  
January, 1943*

LONDON  
FREDERICK MULLER LTD.  
29 GREAT JAMES STREET  
W.C.1



1000142954

cc 2185934

FIRST PUBLISHED BY  
FREDERICK MULLER LTD. IN 1947  
PRINTED IN GREAT BRITAIN  
AT THE ST ANN'S PRESS  
TIMPERLEY, ALTRINCHAM



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## INTRODUCTION

AFTER the wastage and destruction of the Second World War, we are in an uneasy world, a world of contrasts and conflicts. Small countries and great, technical progress and backwardness, new systems and old, capitalist and socialist states, live side by side—live indeed nearer to one another, and depend more on one another, than ever before.

We in Britain, for all our greatness and our achievements and courage, for all the benefit we reap from the military destruction of Fascism, are far removed in terms of world power from the Britain of forty years ago; and we have to look on the world from a new angle. One of the most striking things we see—the subject of this book—is a new United States of America, transformed by the Second World War into the greatest economic, industrial, and military power in history.

Our future and that of the world in general—our standards of living, our chances of peace, our very lives—depend largely on what America does with her new and overwhelming power, on how she behaves to us, to the U.S.S.R., and to other peoples.

What will she do? It depends on who and what the Americans are, on their history, their background, their economic situation, their struggles, their hopes and fears.

Above all, who really controls their great power? Are the controllers few or many? And what are *their* history, *their* background, *their* hopes and fears and ambitions?

The better we know all these Americans, the better can we understand day-to-day developments and events of world importance. But we do not know them very well yet. So, in this short book, I seek to examine the facts about them, their history, their strengths, their weaknesses, and to indicate the



directions in which their policies and their struggles may lead them—and us. And if it seems that different Americas emerge from this study, I have sought to deal briefly with them all—the America of Roosevelt, of the New Deal, of the Teheran-Yalta-Potsdam friendship of the Great Powers, and the America of Big Business, of the “Truman doctrine”, of the Hartley-Taft Trade Union legislation.

When we understand this great new power better, we shall be able to judge our situation more correctly, and to shape our policy more confidently towards peace and prosperity and international co-operation. We shall find, I think, that the great majority of the British and American peoples can be friends, not on any myth of “Anglo-Saxon fellowship”, but on the more solid basis of human and democratic common interests. We were allies and friends in the tremendous battle which we and they and the peoples of the U.S.S.R. fought to destroy Fascism; and we can be allies and friends in a new battle to destroy poverty and want and insecurity.

All these possibilities, I repeat, we shall find. We shall find others, too, less pleasant and more dangerous; and, again, it is only with full knowledge that we can confront them confidently.

D. N. PRITT

## Chapter One

### A GLANCE AT HISTORY

“All men are created equal”

*Declaration of Independence, 1776*

LET us start with a few words of the history of the United States; it will not merely help us to understand its recent developments but will show us a good many shadows of coming events.

We can begin with the revolt and the Declaration of Independence of 1776. In that revolt the men who fought against the troops of George III—and against some American Tories—were for the most part the plain people, small farmers, frontiersmen, and the like, who wanted to work their own lands free of feudal restrictions; to feel that, as they had asserted in their Declaration, “all men are created equal”, and to manage their own affairs without the interference of a despotic landlord parliament in Britain, thousands of slow miles away.

But, as has happened in every revolution prior to 1917, the leaders wanted power to pass, not to the majority who were fighting, but to the minority—themselves—who led the fight. They were the Tories and Whigs of the New World, who sought to keep for themselves the profits that British merchants had been taking out of the colonial trade, and they were as much opposed to the radical tendencies of their followers as King George and his Ministers themselves.

It was by these “right-wingers” that the Constitution—finally adopted in 1789—was drawn up. Progressive as it was in many respects, it was full of checks and balances to guard



their interests. Even a liberal historian like Beard, in his *Economic Interpretation of the American Constitution* (1941 Edition) said of it:

The movement for the Constitution of the United States was originated and carried through principally by four groups of personalty interests . . . money, public securities, manufactures, and trade and shipping . . . The Constitution was essentially an economic document based upon the concept that the fundamental private rights of property are anterior to government and morally beyond the reach of popular majorities.

This Constitution has not been greatly altered by amendment, but we shall see later how it grew—with the help of interpretations by the Supreme Court of the U.S.A.—into a weapon for the protection of powerful trading and industrial interests.

Early years in America, in which pioneers moving westwards played a large part, naturally fostered a belief in "rugged individualism". This belief, with the aid of propaganda, still persists in an age when all real power and all possibility of pioneering in the industrial field has long passed into the hands of powerful companies (or, as the Americans call them, corporations). But in truth even the earliest pioneers were not independent pioneering individuals, but an integral part of a social system from which there was no escape.

The most dramatic interruption in the early days of development came in the 1860's, in the form of the Civil War. Slavery had been abolished in all the Northern States before the end of the eighteenth century, but the South, which for a time had viewed the probability of its total abolition without alarm, found with the growth of the European and American demands for cotton that it was once more highly profitable to keep slaves. The South thus wanted to retain slavery; but also—as exporters of a primary material—favoured free trade. The North, on the other hand, wanted tariffs to protect its young industries,

and a constant flow of "free" immigrant wage-labour to work the industries and make good the drain of man-power to the ever-opening West.

So the North—under the leadership of a great common man, Abraham Lincoln—fought the South. Once again, the common men fought, and the uncommon profited. War profits built up huge fortunes in which we see the beginnings of the great monopolists of to-day. The still familiar names of Armour (meat), Carnegie (steel), Gould, Morgan, and Vanderbilt (railways), date their beginnings from this period. Cornelius Vanderbilt and William Astor each had *incomes* of over a million dollars in 1863; and in 1858 John D. Rockefeller embarked in the produce commission business, and sat at his desk growing richer all through the Civil War.

Thus, whilst the North served the cause of progress by ending the system of slave-holding, it at the same time laid the foundations of a new economic servitude under the great masters of modern industry.

The slow beginnings of the rule of modern industrial monopolies became visible in the generation following the Civil War. And, as in many a country, the slogans of "free enterprise", "competition", and "individual liberty" went on quickening like martial music the pulse of the "little men", whilst real power, inconsistent with liberty for little men, was concentrated more and more in the hands of fewer and fewer great industrial concerns.

Some of these concerns grew with direct government help, in the form—for example—of tariffs to defeat foreign competitors, or of free grants of twenty square miles of land for each mile of railroad built. Others, unhindered by foreign competition, secured power without direct and specific Government aid; Rockefeller's Standard Oil, for example, cornered the sources of raw materials, bargained with railroads for preferential tariffs—at a later stage it was itself the largest railroad power,



besides owning banks and mines—and wiped out rivals by cut-throat competition in which it was always the little throat that was cut. As John D. Rockefeller put it: "The American Beauty Rose can be produced in its splendor and fragrance only by sacrificing the early buds which grow up around it."

In these stages of development the Constitution proved as good a protection to property as its framers had desired. As Professor D. W. Brogan wrote in *The American Political System*:

At various times the Constitution has been a useful tool to be seized, if only to prevent its use by other people: it has never been a good tool for action, for its makers feared action in an incurably popular state, but it has shown its temper in the comparative ease with which it has been adapted to the needs of the rich and the astonishing difficulty with which it has been twisted into an instrument of the needs or wants of the poor.

In particular, as we shall see later, the interpretation of the Constitution by the Supreme Court of the United States illustrated perfectly the natural and inevitable process whereby the Courts of any country protect the interests of its real rulers. Cornelius Vanderbilt had plenty of common sense when he snorted, "Law! What do I care about law? Hain't I got the power?", but his scarcely less robust associates and descendants got on pretty well by appealing to the law! An interesting illustration may be drawn from the application of one of the paragraphs of the Fourteenth Amendment to the Constitution, introduced after the Civil War to give citizen status to negroes. After the noble words whereby negroes were made full citizens of the U.S., this section went on to add: "nor shall any State deprive any person of life, liberty or property, without due process of law". The Supreme Court, by treating corporations as persons to whom this clause applied, had by 1939 used it to declare unconstitutional over 230 State laws which limited the powers of corporations by regulating hours of work, or

fixing minimum wages or lower rates for electricity or gas; for these laws deprived the "person" of liberty or property!

The process of concentration, which involved driving scores of thousands of little men out of business, had gone a long way by the end of the nineteenth century. By 1900, for example, the 1,500 railroads of 1880 had dwindled to 800, forty of whom held half the track mileage of the country. (Railroad fights have their picturesque features; there was a moment in 1868 when Jay Gould and Jim Fisk beat Cornelius Vanderbilt in the fight for control of the Erie railroad by issuing illegal stock and then bribing the New York State legislature, at an average rate of \$15,000 a head, to validate the deal.)

In the first year of the twentieth century, the now mighty United States Steel Corporation was formed, with a capital—vast for those days—of \$1,400,000,000. It was a novelty, in that it was a financial and not an industrial or technical merger; and it was the first big step towards the now well-known system of interlocking directorates, by which a small body of very rich men control most of the country's industries, and so, indirectly, the domestic and foreign policy of the U.S.A.

That small minorities do rule great modern states, that power rests in the hands of the great "captains" of finance and industry, is a point which hardly needs proving nowadays; space was devoted to it in my *Must the War Spread?* in 1940, and I gave a description, which applies equally well to-day, of "these few rich old men with the power to send millions of young men to death on the battlefield or to half-death in depressed industries, who can give peace and withhold it, give work and withhold it, at the dictates of their own interests".



## Chapter Two

# THE GROWTH OF TRUSTS AND EMPIRE

"The masters of the United States are the combined capitalists and manufacturers of the United States."

*President Woodrow Wilson, 1913*

IN this chapter we shall see not only the growth and concentration of corporations, but also the development of empire in the stricter sense of the word—that of territorial expansion. Up to the end of the nineteenth century, the need for expansion was adequately met in the United States, in contrast to some other countries, by the acquisition of Spanish or Mexican lands in Florida, Texas and California, and by the advance from the Eastern States into the Western territories of the United States. But pressure on these lands, although they were far from fully occupied, made itself felt in the form of a desire of the rulers of America—in effect, the great Trusts—for territorial expansion outside the mainland. (This coincided roughly with the dangerous stage in history when all the areas in Asia and Africa that could profitably be colonised had already been taken up by the older European colonising powers, so that newcomers like Germany, Italy and Japan could only satisfy their need for expansion at the expense of the powers already in possession. Stresses of this sort were prominent among the causes of the First World War.)

The first spectacular move was the Spanish-American War in 1898, fought on the pretext that the U.S. battleship *Maine* had been sunk by the Spaniards in the course of their war against Cuban insurgents. U.S. armed forces went to the

rescue of—to be frank—the \$50,000,000 invested by American citizens in Cuban railways, mines, and sugar. With a "patriotic" campaign by the Hearst and other papers, a romantic "crusade" was started for the independence of Cuba, which after Spain was beaten was secured by the retention in Cuba of U.S. troops, the taking of Puerto Rico and Guam as indemnity, and the purchase of the Philippines for \$20,000,000. The Philippines had almost won their independence from Spain when the new owner stepped in, and it took a further four years of war, \$170,000,000, and stern repressive measures to reconcile the Filipinos to their new position.

The Hawaiian Islands were acquired about the same time, the American sugar planters forming a dictatorial government and getting themselves annexed. Then in 1903 came what was to prove the last territorial expansion for some forty years; the Panama Canal Zone became U.S. property in perpetuity, by agreement with the Republic of Panama, a new state which was induced to hive off for that purpose from the Republic of Colombia, through the good offices of U.S. Marines, who prevented Colombian troops from putting down an arranged revolt in the City of Panama.

On the occasion of the acquisition of the Philippines, some people in Britain, and in America too, were shocked to read of a declaration made by President McKinley when justifying this step—on "moral grounds"—in contradiction of previous declarations which branded forcible annexations as criminal aggressions. He said:

There was nothing left for us to do but to take them all, and to educate the Filipinos, and uplift and civilize and Christianize them, and by God's grace do the very best we could by them as our fellow-men for whom Christ also died.

It should not be lightly assumed either that the Americans are more hypocritical than anyone else, or that their rulers



always speak with their tongues in their cheeks. Declarations of this kind are sometimes a real reflexion of the beliefs and policies of the common people, and sometimes part of the machinery of bamboozling them into the belief that their will is being followed whilst in truth the exact opposite is happening. But their influence, if imponderable, is far from negligible.

Whilst there was no further territorial expansion for some time, the other typical form of imperialism, economic expansion, of course developed, particularly in South America. This expansion is often associated with the Monroe Doctrine laid down in the Declaration of President Monroe in 1823 to the effect that

there should be no interference by outside powers with the political system of the American continent, nor should they acquire any new territory on that continent.

This doctrine was in its origin a warning to reactionary European nations, and in particular to Spain, against attempts to re-establish colonies in Latin America; but it gradually became a cloak for a North American movement to establish a monopoly in the economic colonisation of Latin America.

Efforts were made to extend the doctrine, in its perverted form, by the foundation of the Pan-American Union, which resulted from a Conference called by Blaine, U.S. Secretary of State, in Washington in 1889 (at which, it is interesting to note, two of the ten U.S. delegates were "captains of industry", Studebaker and Carnegie). As Professor S. F. Bemis wrote in his *A Diplomatic History of the United States* (1936):

The prime motive for the conference was the expansion of the commerce of the United States . . . The main purpose Blaine veiled in oratorical expressions of friendship, arbitration, and peace, and the promotion of the general welfare of the American nations of the New World.

The principal U.S. proposal at this conference was of an elaborate customs union, which though passed by a majority in face of opposition from Argentina, Bolivia, and Chile, never came to anything.

What is in effect another variety of economic imperialism—vigorous intervention in internal affairs—was also practised by the U.S.A. at this period. For example, Cuba was compelled to embody in its constitution restrictions on its relations with foreign countries, limitations on its borrowing powers, the concession of coaling stations for the U.S. fleet, and the right of the U.S.A. to intervene in Cuban affairs for the protection of life and property. And in 1905 the Dominican Republic was controlled by seizure of its customs houses and the stationing of war vessels in its waters; and two years later an American financial expert took over the collection of revenues, mainly in the interest of American creditors. In 1916 the same President Wilson who had rejected the Chinese consortium mentioned below signed a Treaty of Amity with Haiti, by which the U.S.A. was to appoint engineers to develop its resources, to take over and administer the customs, and to choose the financial adviser to direct the Treasury. Although the President who made this Treaty had been installed by U.S. Marines, his legislative assembly was bold or foolish enough to refuse to pass a new constitution—framed in Washington—which gave foreigners the right to own land in Haiti. This shocked the American administrators, who felt it their moral duty to dissolve the legislature, use the Marines as Charles I used his soldiers on Pym and Hampden, and submit the revised constitution to a popular referendum under U.S. military supervision. As a result, 63,000 votes were cast for the new constitution, and only 300 odd against; democracy was thus served, but the Marines must have been good canvassers!

One Major-General Smedley D. Butler described this sort of development in good racy American, as follows:



I spent thirty-three years and four months as a member of our country's most agile military force—the Marine Corps . . . I helped to make Mexico and especially Tampico safe for American Oil interests in 1914. I helped to make Haiti and Cuba a decent place for the National City Bank boys to collect revenue in . . . I helped purify Nicaragua for the international banking house of Brown Brothers in 1909–1912. I brought light to the Dominican Republic for American sugar interests in 1916. I helped make Honduras right for American fruit companies in 1903. In China in 1927 I helped see to it that Standard Oil went its way unmolested.

Yet another imperial development, equally real if more indirect, was the empire of finance, exercised through capital export. This began at about the same period as the territorial empire.

Imperialist expansion, whatever its precise form, always in modern times involves pushing out some rival imperialist to make room; and in much of her expansion in the years before the First World War the U.S.A. came in direct conflict with Britain. It was a crucial period in British imperial history; the possibility of territorial colonisation was at an end; our position as the greatest producing country in the world was being steadily undermined; the development as great exporting countries of both the U.S.A. and Germany was threatening our trade; and in short the general scramble of the Great Powers was marching us straight into the First World War. The U.S.A. had a long way to go as a foreign lender before she could outstrip the huge investments we had made abroad in the second half of the nineteenth century; but the process had started. The golden sunset glow of British prosperity before 1914—Northern twilights last long—came largely from foreign investments; the income was £150,000,000 in 1910, £190,000,000 in 1911, and £226,000,000 in 1912.

Production figures in our basic industries illustrated how, in spite of an actual increase in production, we were losing our

predominance in relation to the U.S.A. and Germany, as the following table shows:

*Coal Production in Million tons*

	1860	1880	1900	1913
Britain ...	83.3	149.5	228.8	292.0
Germany ...	17.0	60.0	149.8	277.3
U.S.A. ...	15.4	71.6	244.6	517.0

*Iron and Steel Production in Million tons*

	1870–4 average	1900–4 average	1913
Britain ...	6.9	13.5	17.9
Germany ...	2.1	16.2	27.4
U.S.A. ...	2.3	29.8	30.0

Meanwhile, U.S.A. exports, which averaged £28,000,000 annually in the 1880's, reached £71,000,000 in 1899, and £90,000,000 in 1900. But German competition in the export of manufactured goods was more threatening still.

British manufacturers fought back, not with tariffs nor with any drastic steps to improve technical efficiency, but by attempts to make working arrangements with their foreign rivals and by monopoly concentrations in their own industries—this latter especially in iron and steel and armaments. The first foundations of the big chemical combine which later emerged as "I.C.I." were laid in the 1890's. Direct government assistance had not been required by British manufacturers in the earlier stages, for our colonial possessions (11,600,000 square miles, with a population of 345,000,000 in 1899) gave, so to speak, a ready-made field of enterprise, indirectly protected; but both direct subsidies—shipping being the earliest recipient—and Government participation—as in Anglo-Persian Oil—occurred before the First World War.

Britain's extremely resourceful and experienced rulers, omitting no opportunity of protecting its property even in retreat, sought alliances and balances of power to strengthen



its hands. In 1904, with Germany growing fast in strength, it formed the Entente with France, and thus made our frontiers as safe as possible in Europe and Africa.

An interesting episode, noteworthy for a clear rejection by President Wilson on moral grounds of what nowadays seems a quite ordinary example of imperialist interference, occurred in 1912 in connexion with China. The U.S.A. had played Frankenstein to the Japanese monster, warning other powers off intervention against her during the 1904-5 war against Russia; but a few years later Japan, nervous of American designs on Manchuria, arranged with Russia to defend the South Manchurian Railway (Japanese) and the Chinese Eastern Railway (Russian) from the embraces of American railway tsars like Harriman and Schiff. To neutralise these railways, American bankers planned the flotation of a large loan to China to develop other railways and commerce in Manchuria, and prepared a "Consortium" with Britain, Germany, France, Russia, and Japan to secure the sole right to issue administrative loans in China. President Wilson, however, refused to endorse the project, saying:

The conditions of the loan seem to us to touch very nearly the administrative independence of China itself, and this Administration does not feel that it ought, even by implication, to be a party to those conditions. The responsibility on its part which would be implied in requesting the bankers to undertake the loan might conceivably go to the length in some unhappy contingency of forcible interference in the financial, and even the political, affairs of that great Oriental state.

At this difficult period, the main field in which conflict developed between the growing imperialism of America and the slowly declining force of Britain was South America. There, Britain had at one time held almost a capital monopoly, and in 1913 she still had the first place in capital investment in every South American country except Bolivia; but tin in that

country, copper in Peru and Chile, and meat packing in Argentina and Paraguay were already largely in the hands of American corporations. "Docks and harbour works had been developed by the American meat packers (Armour, Swift and Wilson) in the River Plate region, by United Fruit Company in Colombia, and by Standard Oil in Peru. The British still dominated the Atlantic carrying trade and the cable lines. Also until the World War South American trade was financed chiefly through British banks." (A. Rochester, in *The Rulers of America*, 1936.)



### Chapter Three

## THE FIRST WORLD WAR AND AFTER

"Perhaps our going to war is the only way in which our present prominent trade position can be maintained and a panic averted."

*W. H. Page, U.S.A. Ambassador in London, 1917*

WHEN the First World War began, the U.S.A. declared her neutrality, and remained firmly determined to keep clear of the conflict until very shortly before her declaration of war in April, 1917; indeed, as late as February of that year President Wilson told a Cabinet meeting that "he didn't wish to see either side win—for both had been equally indifferent to the rights of neutrals, though Germany had been brutal in taking life and England only in taking property."

By 1917, however, it appeared to the Americans that without their aid the Allies could do no more than force a stalemate. Apart from motives of conscience or morality, the U.S.A. had by this time a material interest in Allied victory; and the way in which it reached this position illustrates the motives of Government action in the U.S.A., or indeed anywhere. It turned partly on the risk of the loss of money advanced and partly on the danger of a slump in the U.S.A.

The position built itself up to some extent gradually. When war broke out in 1914, the State Department, asked whether there would be any objection to loans being floated in the U.S.A. for the French Government, to assist the purchase of war supplies, objected on the ground that such loans "would make it all the more difficult for us to maintain neutrality, as

our action on various questions that would arise would affect one side or the other and powerful financial interests would be thrown into the balance".

But a slump in trade had set in, there had been a drop of about 30% in the excess of exports over imports between June 30th, 1913, and June 30th, 1914, and the National City Bank expressed the fear that without credits "the buying power of these foreign purchasers will dry up, and the business will go to Australia, Canada, Argentina, and elsewhere". Contradicting the public ruling of the State Department, President Wilson accordingly gave a verbal authorisation "not to be quoted", that "credits" for meeting debts incurred in the ordinary course of trade might be allowed, as opposed to "loans" to belligerents, and in November 1914 French Treasury obligations were taken up by banks all over the country. The permission was not made public until March 1915. By midsummer 1915, the "credits" were exhausted, the pound sterling was slipping, and it was necessary to fund the credits into bonds sold publicly, so that American investors could furnish the money to pay American producers for American goods bought by the Allies.

By the spring of 1917, U.S. citizens, industries, banks, and suppliers of the Allies held about \$2,700,000,000 of outstanding Allied indebtedness, and the pound was slipping again. The U.S. Ambassador in London, Walter H. Page, writing to the State Department, stated that reduced Anglo-French buying in American markets "will, of course, cause a panic in the United States . . . France and England must have a large enough credit in the United States to prevent the collapse of world trade and of the whole European finance. . . . Perhaps our going to war is the only way in which our present prominent trade position can be maintained and a panic averted. The submarine has added the last item to the danger of a financial world crash."

And so, under the leadership of President Wilson, America,



# Inherent dangers

Honourable Men  
My Life in the CIA  
By William Colby and Peter  
Forbath.  
(Hutchinson, £5.95)

Mr Colby spent a lifetime in covert intelligence, first in the OSS and then in the CIA, until he was required to retire in 1976. He parachuted into German-occupied France and Norway, helped to keep the communists out of political power in Italy, organized the secret war in Laos, and spent years in Vietnam before being appointed director of the agency.

His was mostly a life of derring-do, but he was the complete professional and not one of the many psychopaths attracted by the nether world of intelligence work. He was a self-contained man, greily anonymous, unlike his predecessors at the top, Allen Dulles and Richard Helms. In Washington he could have been mistaken for a civil service clerk working at the Department of Agriculture. He is a practising Catholic, which persuaded some juniors that he was waging a holy war against the antichrist.

According to Mr Colby's testimony before a House subcommittee in 1971, more than 20,000 Vietcong were killed when he was in charge of the Phoenix programme. That was more than the casualties inflicted by the average infantry division during a tour of duty in Vietnam, and there were subsequent allegations of assassination and torture. Prisoners who refused to talk were occasionally dropped from helicopters.

These and other acts of great beastliness pose once again the question of why decent men, in this case a happily-married man who never missed Mass, willingly don their cloaks and wield their daggers. Mr Colby does not provide an answer, except by inference. He was moralist.



doing what he saw to be his duty, but he does admit to most of the charges made against the agency.

These included experiments with mind-control drugs that led to the death of one CIA man who was an unsuspecting guinea pig, but the book is not a penance for a misspent life. As the title suggests, he has written a spirited defence of the CIA.

In one remarkable passage, he concludes that the list of its misdeeds over 25 years was not so bad. While acknowledging that some could not be justified, he believes that the CIA did no more than other intelligence agencies and recalls that during the Cold War the CIA was exhorted by government leaders and public alike to be more cunning and ruthless than the enemy.

But Mr Colby is not being defiant. He recognizes the inherent dangers of secret agencies. He suggests that the CIA was all the more dangerous when President Kennedy, an avid reader of James Bond stories, used it as a private army; which he could easily do because the agency is part of the executive office of the president. He writes that he subsequently cooperated fully with congressional investigators because of his respect for the Constitution, and I am willing to believe him.

Indeed, much of what we now know of the CIA's adventures in the back alleys of the world, to use Dean Rusk's graphic phrase, is due to Mr Colby's cooperation. Perhaps he used these congressional committees as a confessional, but even in his present state of grace he insists that the work of the CIA must continue.

Few realists would argue with that, and many might agree with some of Mr Colby's suggested reforms. One point emerges strongly from the book. Future directors of the CIA must never again be men who have spent their lives in intelligence, but strong-minded outsiders in contact with the real world such as Mr James Schlesinger.

Louis Heren



to avoid a financial world crash, entered the First World War "to make the world safe for democracy".

She came out, of course, more powerful, and her process of overhauling Great Britain was accelerated. From a debtor nation which only four years before had paid out large annual sums in interest on European—chiefly British—investments, she had become the chief creditor nation of the world. Her loans to the Allies, her great increase in industrial potential, the development of her export trade to countries deprived of their accustomed European supply sources, and the enormous new military and naval power she now wielded, made her already more than the equal of Britain, thitherto the leading capitalist power in the world. The latter had had to realise the greater part of her readily saleable assets in U.S. industry in order to finance her purchases of American munitions; her dollar holdings had declined from the 1914 figure of \$3,700,000,000 to \$1,100,000,000 at the end of 1919. Her foreign investments were still considerable, but her preponderance in world trade had gone for ever.

American exports of merchandise had risen from \$2,466,000,000 in 1913 to \$6,149,000,000 in 1918, and were to go as high as \$8,288,000,000 in 1920.<sup>1</sup> During the same period her imports had gone up from \$1,813,000,000 to \$3,031,000,000, with a 1920 figure of \$5,278,000,000. In Europe alone the direct investment of U.S. capital (excluding government loans) had increased from \$574,000,000 to \$694,000,000, or by 20%. The predominance of British capital in Canada gave way to American.

U.S. trade with the other parts of the British Empire had also become substantial. The long battle in Latin America between American and European capitalists—the latter led by the British—was largely decided in favour of the United States

<sup>1</sup> Prof. S. F. Bemis, quoting U.S. Gov. Reports on Commerce and Navigation, in *A Diplomatic History of the United States*.

American credit in the main replaced European credit, while American banks had ousted European houses from their hitherto predominant position. Whereas in 1913 the U.S.A. supplied 24% of Latin-American imports and Great Britain 25%, by 1927 the figures were 38% and 16% respectively; and in the abnormal period of 1919, the U.S.A. figure was 49%.

One of the most important questions at that time was, how would America use this power? Which of the two Americas would win—the progressive under President Wilson, or the America of the trusts and combines? Would the new power of the trade unions affect the situation? Would the wealth and the power of America be used to bring about a vast increase in the standard of living of her people? Would she pursue a wise policy for the elimination of German military power, and so make peace secure? All these questions called for answers; and, as the narrative unfolds itself here, the parallel which it presents to the position to-day is disquieting.

Alas! The answer to all the questions was a bad one. American democracy, like all democracies which do not extend beyond politics into economics, was an imperfect thing. The incessant conflict of the two Americas was still raging, with its outward and visible signs of apparently inconsistent and hypocritical public declarations, and its inward realities of bitter struggle for tangible advantages. And in the post-war 'twenties, with the ruling forces not only stronger than ever but egged on by anxieties over the growing consciousness of the workers and small farmers at home, and the appearance of the new socialist workers' state in Russia—insecure as yet but potentially great and presently contagious—victory was bound for the time to go against progress.

A ferocious battle was waged against the workers at home and against progress abroad. At home, unfortunately, the workers were not equipped for the fight with a political as well as an industrial movement. Of the former they had scarcely



the rudiments; there was no socialist or working-class party, and the two traditional parties were admirably adapted to lull the public into the belief that they were taking part in the government of their country, whilst ensuring that they made little difference to it.

A trade union movement had certainly been built up, through many difficulties. The first large-scale beginning, the Knights of Labour, was founded in 1869; it was succeeded by the American Federation of Labour (A.F. of L.), a federation of craft unions established by Samuel Gompers in 1881. In 1905 the Industrial Workers of the World (I.W.W. or "Wobblies") was set up by "Big Bill" Haywood "in disgust at the failure of politics to remedy the plight of labor", after an Eight-Hour-Day Act for miners of the State of Colorado had been annulled by the Supreme Court of the State. The I.W.W. never had more than 60,000 members, but it did good work in making labour militant and in compelling the A.F. of L. to pay some attention to the organising of unskilled labour. It was killed in the "Red Scare" after the first world war, but it had brought into practical politics the idea of the "industrial" union, which developed through the United Mine Workers of America into the Congress of Industrial Organizations (C.I.O.) in the fourth decade of this century.

The trade union movement had to fight its way forward through many difficulties. Native-born Americans were steeped in the tradition of "individualism", partly by their history and partly by propaganda. For years before 1914, and to some extent also later, the movement was hampered by an ever-refilled pool of cheap and unorganised labour immigrating from Europe. The "strong-arm" methods of using professional thugs and troops to break up strikes provided another obstacle; a typical example was the Homestead strike of 1892 against the Carnegie Steel Company, when Carnegie, determined to break the Amalgamated Association of Iron and

Steel Workers, went to Scotland on holiday, leaving his colleague Frick *carte blanche* to break up the strike. Frick imported 300 Pinkerton guards, precipitating a battle in which ten men were killed and over sixty wounded; 8,000 militiamen sent by the Governor of Pennsylvania finished off the strike. "Carnegie built libraries from the wage savings," wrote Shannon on this, "but for the next forty years and more the steel corporations prevented effective organisation of their employees."

Other weapons against the unions were the "yellow-dog" contracts, which bound workers never to join a genuine union—such contracts were not made illegal until the Wagner Act of 1935. Again, the Anti-Trust Act of 1890, supposedly aimed at the trusts and designed for the protection of interstate commerce, was used to curb trade union activities, which were described as the actions of monopolies. (This particular device was countered by provisions included, under strong labour pressure, in the Clayton Act of 1914; and further measures in favour of labour were also incorporated in the Norris-La Guardia Act of 1932.)

The development of the use of the injunction in labour disputes—recently attempted on a small scale in Britain—was another formidable step. Courts went so far as to forbid acts which were perfectly constitutional. "Judges have issued injunctions", wrote L. Huberman in *We, the People*, "which have prohibited strikers from parading, picketing, assembling . . . or distributing pamphlets; strikers have been prohibited from attending certain churches or praying and singing on the public highways!"

Just after the First World War, a wholesale injunction obtained by the Attorney-General of California against the I.W.W.—rushed through the Courts without their having any chance to oppose it—ordered them to refrain from all political or industrial activity!



The Norris-La Guardia Act of 1932, just mentioned, was the first real attempt to deal with the use, or rather abuse, of the injunction; it forbade Federal Courts to issue injunctions in labour disputes.

Moreover, the fight was further hampered by the manner in which the Constitution was used in attempts to invalidate or delay both social legislation and limitations on cheap labour. The first State Workmen's Compensation law in Maryland was declared invalid in 1902, and such legislation did not become general till after 1911. There were no state old-age-pension schemes till the 1930's, and no state unemployment insurance until a Wisconsin Act of 1932, in spite of the fact that unemployment from 1920 to 1927 was never less than 5.1% of those engaged in non-agricultural pursuits, and reached 15.3% in 1921. The Supreme Court in 1916 and 1919 overruled attempts by Congress to limit child labour by barring its products from inter-state commerce.

In spite of all obstacles, Trade Union membership rose from 850,000 (550,000 of those in the A.F. of L.) before the war to about 5,000,000 (over 4,000,000 in the A.F. of L.) in 1920.

In a broad battle against the working class and progressive movement, no weapon was likely to be neglected; and, in addition to attacks on wage standards and Trade Unions, provocation of strikes, and other direct methods, the now famous "Red Scare" strategy was used. It provides one more parallel between what America's rulers did after the First World War and what they are doing now. It is to-day one of the most important features of the battle, recurring as a sort of devil's theme song in the struggle of an entrenched but anxious minority against its two enemies, growing working-class power at home and Socialist or near-Socialist countries abroad. One-sixth of the world has turned to Socialism; more and more countries, including Britain, are embarking with varying degrees of haste and vigour on a similar path; working-class

power, vision, and determination are constantly increasing in America and elsewhere; and difficulties and strains are growing in all capitalist countries. Red-baiting in the widest sense of the term is thus bound to become ever more frequent, more vicious, and more determined, especially in periods of slump. Let us see how it works.

The Red-baiters—the industrial and financial ruling minority—attack, of course, every working-class or progressive movement, activity, or organisation, as "Red"; but the concentrated attack is on the most Leftward sections, giving them any label to which propaganda can attach sinister associations—the name of "Communists" has been in use for many years now, but in earlier years it was "Radical" or "Socialist". The main object at this stage is to split the working-class and Socialist forces, to isolate their most militant and educated sections, and, where possible, to drive or coax the two sections thus created into active conflict between themselves—as is happening to-day in the anti-Communist drive in the American unions and elsewhere. Once the process of weakening the working class has been carried some way, every weapon, illegal or otherwise, including in suitable cases the weapon of legislation against strikes and against unions, is brought to bear to weaken the workers more than ever, and if possible to crush them for a generation.

Subsidiary but almost invariable accompaniments—worked up by hysterical propaganda—are attacks on Jews, negroes, and other national minorities, and on civil liberties. In the first big Red Scare of 1919-20, indeed, civil liberty was so severely attacked that a distinguished Republican ex-Presidential candidate and future Supreme Court Chief Justice, Charles E. Hughes, could say:

We have seen the war powers, which are essential to the preservation of the nation in time of war, exercised broadly after the military exigency had passed, and in conditions for which



they were never intended; and we may well wonder, in view of the precedents now established, whether constitutional government as heretofore maintained in this republic could survive another great war even victoriously waged. (Address at Harvard Law School, 21st June, 1920.)

The Red Scare is, of course, operated equally in the field of foreign relations; the symptoms are general anti-internationalism, violent hostility to countries—such as the Soviet Union—taking a radical or even a progressive path, and the use of food supplies as a political weapon.

The unsensational if solid progress of a Social-Democratic government and parliament in Great Britain may escape for a while the cruder manifestations of the Red Scare, but it is certainly not immune from powerful attacks of a more subtle kind, such as the abrupt ending of Lease-Lend, harsh loan conditions, or the refusal or delays of vital food supplies. The technique will be different, but the hostility scarcely less.

If an observer, cataloguing these points, should ask: "How does this red-baiting differ from Fascism?" the only truthful answer is: "No how". Indeed often enough the very language of the protagonists seems to plagiarise Goebbels.

There is only one answer to red-baiting; it is that every decent element in every population must fight it day and night, and must be on guard to penetrate its every disguise. And one of the first precautions is that the whole working-class movement, everywhere, should make sure that no part of the movement is split, or led into fighting any other part.

A few samples of the American anti-labour war of 1919-20 must be given. In 1919 alone four million workers were involved in strikes for such reasonable demands as trade union recognition and an eight-hour day. The outstanding strike of the day, the steelworkers', was fought by the employers and their Press as part of the general anti-Red campaign; and the steel workers, in two years, lost no less than 30% of their wages.

Again, in 1919, in the coal miners' strike for higher pay and shorter hours to overcome unemployment in the industry, public opinion was swung against them by the creation of an artificial coal shortage as winter was coming on: and when, despite this, the miners won, the price of coal in some parts of the country was raised by \$6 and even \$8 a ton, although the settlement had not added more than 50 cents to the tonnage cost. The public was told that the rise was the miners' fault.

The Red Scare and the direct industrial fight were, of course, from the Red-baiters' point of view, indistinguishable. Police raided union meetings; in one night in January 1920, over 4,000 "Radicals" were rounded up, in an attempt to deport aliens with progressive views—most of them being "aliens" only because their radical views precluded them from taking up citizenship. The illegal barring of five Socialist members of the New York Assembly was hailed by the *New York Times* as being "as clearly and demonstrably a measure of national defence as the declaration of war against Germany." Thirty-three states passed "Red Flag" laws, forbidding the display of Labour's traditional colour.

False prosecutions as a means of getting rid of "agitators" were also common. The most notorious case was that of Sacco and Vanzetti, alleged to have committed a hold-up murder in 1920. They were "framed"; their only offence was that they were left-wingers, and for six years public opinion all over the world tried to save them from political "justice", but without success. It was a plain case of judicial murder for "radicalism".



## Chapter Four

### AMERICA OVER EUROPE

"Feeding and succouring Balkanised Central Europe only as an incident in the fight . . . to throw back the wave of Bolshevism."

*T. C. Gregory, on Mr. Hoover*

THE attitude of the U.S. Government in its external relations was naturally enough of the same general pattern as its attitude at home, described in the previous chapter.

The first important step in this field after the war was the refusal of the Senate to ratify the Peace Settlement and the formation of the League of Nations which was linked with it. This refusal was the work of Wall Street, the Republicans, and some sections of the Democrats. They acted not from any feeling that the terms imposed on Germany were too harsh, but in the belief that they could impose their will on the world better if they stood clear, and that if America entered the League it might help Britain or France to maintain some of their power. It can be called isolationism; America's big business is isolationist when it suits its interests, and "co-operative" when that is more profitable. The true source of isolationism at this stage may be seen from the fact that a nation-wide Anti-League Fund was headed by two anti-Labour millionaires, Andrew Mellon and Henry C. Frick—that same Frick who broke the Homestead Steel Strike of 1892.

The use of food as a political weapon in Europe was another significant story. It was developed by Herbert Hoover, who was destined not many years later to assist in the starvation of sections of his own people by refusing federal aid to them in

the 1929 slump. His assistant in his work in Europe, Mr. T. C. Gregory, wrote of him

He was feeding and succouring Balkanised Central Europe only as an incident in the fight he was making to throw back the wave of Bolshevism.

At the same time the U.S.A. did not neglect armaments, including in particular naval shipbuilding. Traditionally anxious about British power, and still more about a real or supposed British capacity for pulling the wool over their eyes, they were not prepared to let Britain keep her place; they were anxious, too, about the strong position of France in Europe. No sooner had the guns stopped firing than they launched the biggest naval building programme in their history. The 1918 programme, to be completed by 1925, included twelve additional battleships and sixteen more battle cruisers. In three years, between the Armistice and the Washington Conference, the United States built more ships than all the rest of the world put together.

So, when the Washington Conference came in 1921, Britain, who had for many years maintained the two-Power Standard (i.e., the policy of maintaining a fleet stronger than any two other fleets in the world), had to agree to parity with U.S.A. and to the abandonment of her Japanese alliance, this latter because America feared lest Britain and Japan should combine against her!

The Red Scare came into re-armament too. If one looks forward a moment to the 1927 Naval Disarmament Conference at Geneva, one finds Mr. W. B. Shearer, who was hired by the armament industries to lobby for the protection of their business interests by defeating any real measure of disarmament, branding all peace advocates, including the Secretary of State, Mr. Hughes, as "traitors to the country." He told his well-paid story in the following picturesque words:



From 1914 the weight of internationalism and communism was developed, the members of which, pacifists, defeatists, radicals of many hues and foreign agents, communists, I.W.W. and socialists, included in the merger, and a dozen or more organisations with impressive names designed to fool patriotic Americans and lend aid to the enemy.

He went on to make the same vague charges that are heard in the United States to-day. He referred to:

Instructions from Moscow, speeches, theses, questionnaires, indeed the workings of the underground organisation, working secretly through legal bodies in labour circles in society, in professional groups, in the Army and Navy, in the schools and colleges of the country . . . proof of a colossal conspiracy against the United States.

Economic imperialism of course continued to grow within the American continent, and took on the more developed form of capital export. It was not sufficient for her expanding, if unstable, economy that she should merely increase her exports to Canada and the southern half-continent; she had also to colonise by way of loans, i.e., to export capital. By 1925 her investors controlled many important branches of Canadian industry. In South America loans were pressed on governments, states, and municipalities by all sorts of means. A Senate Committee on Finance later revealed that at one time there were twenty-nine representatives of U.S. financial houses in the not very important State of Colombia alone, trying to negotiate public and private loans.

Cuba provides a particularly good example of Wall Street methods. By 1931, direct U.S. investments in that small territory, including loans to the Cuban Government, amounted to no less than \$935,700,000. In 1931 a Senate Committee of Investigation established that warnings by U.S. Government experts against the flotation of these huge loans to Cuba had been either stifled or ignored. The inevitable results of slump

followed, and by 1934 fifteen Latin-American states were in default as to \$1,188,000,000 of their outstanding loans of \$1,564,000,000.

Perhaps the most graceful justification for economic imperialism in this period was that given by President Harding in relation to the American "mission" in the Philippines:

We ought to go on (there) with the same thought that impelled Him who brought a plan of salvation to the earth . . . He gathered His disciples about Him and said "Go ye and preach the gospel to all nations of the earth."

Another important step of the economic imperialists was the export of capital to Germany. Besides being particularly profitable, it had the momentous aim of building up Germany and her big businessmen against both Britain and the Soviet Union. Once again we see a grim parallel to what is happening and likely to happen to-day. It is shocking to read the words of Mr. Dean Acheson, the Under-Secretary of State, at Cleveland, Mississippi, in May 1947, in a speech more fully quoted below, that:

We must push ahead with the reconstruction of those two great workshops of Europe and Asia—Germany and Japan—upon which the ultimate recovery of the two continents so largely depends.

In the light of such a speech, it is important to examine what a considerably less powerful U.S.A. did "last time".

The Dawes Plan, which in 1924 provided a loan of \$200,000,000 to stabilise the German currency, and thereby made the country safe for investors, led to a wild influx of foreign capital, with America as the largest lender. For example, a Bavarian hamlet discovered by American agents to require a modest loan of \$125,000 was talked into borrowing twenty-four times as much—\$3,000,000. Up to 1931, out of total private loans of \$6,284,000,000, no less than \$2,475,000,000



(40%) came from the United States. Seven and eight per cent were common interest rates. U.S. holdings in Europe were nearly doubled from 1919 to 1929.

The Dawes Plan was followed in 1929 by the Young Plan, which scaled down reparations to the annual sum of \$410,000,000, the exact amount which the allies had previously agreed to pay to the United States on account of their own war debts.

These plans were not direct U.S. Government transactions; they were "unofficially suggested" by the Secretary of State, Mr. Hughes.

## Chapter Five

### THE SLUMP OF 1929-34

"We are in want because we have too much."

*U.S. Chamber of Commerce, 1931*

"At least thirty million workers are unemployed."

*Expert Report to World Economic Conference, 1933*

THE economic developments in the U.S.A. of the period following the First World War culminated in the famous slump, which began in 1929.

The processes which led to this slump, sadly paralleled to-day, are familiar. The industrial and financial policy-makers of America followed the lines, natural enough to those who reason on orthodox capitalist lines without looking too far ahead, of exporting as much as possible and at the same time maintaining high tariffs to protect her home industries against imports. Capital exports, of course, "close the gap" as long as capital continues to be exported and received; but at some point the Gadarene process stops, and a crash comes. This cycle developed steadily in the 'twenties, the capital exports already noted being part of the picture; and in 1928 the European trade deficit with the U.S.A. alone was \$890,000,000. It was met partly by services and the tourist trade, but much more by fresh U.S. investment. By the time the world slump came in 1929—a slump whose intensity can be measured by the fact that more than half the American loans to Europe were in default by 1930—the U.S. had become a large importer of raw materials. This made the effects all the more serious, for the great primary producing countries—particularly Australia—were so affected that they never recovered their pre-slump position until the Second



World War. But, as we shall see, American industry made bigger profits than ever on the lower raw material prices.

Once again one sees a disquieting parallel: in the later years of the Second World War both American and British experts were hoping to solve not merely the problem of balance of payments, but the much larger problem of employing the vast productive capacity of modern industrial states so as to make of it a benefit to mankind and not a disaster, by raising the standards of living of thousands of millions of Asiatic peoples—and of others too—and thus increasing their purchasing power. This was, of course, linked up with President Roosevelt's proposals to benefit his own people by what Wallace called "creating 60,000,000 jobs", by raising wages and living standards, by improving housing, and by insisting on "fair employment". All this has been dropped for the moment, and the present rulers of America—if they are not stopped—will behave much as their like did a quarter of a century ago. As America is far more dependent now than it was on imported raw materials, owing to its decreasing mineral resources at home and its much greater manufacturing capacity, its present plans can at any rate be understood; but they do not make sense, still less avert slumps. Indeed, they merely point to the appalling danger which an out-of-date economic system presents to the rest of the non-socialist world and particularly to primary producers.

Thus, in various ways, Big Business, "rugged individualism", "free enterprise", all the anarchy of the old system got well to work again. It is important to see both the direct and indirect results of their operations in America on workers and farmers, the ordinary masses of decent people. After nearly a decade of Harding's "normalcy" and Coolidge's "prosperity", 60% of the families in the richest country in the world had an income below \$2,000 a year, the minimum on which they could live reasonably; and a fifth of

that 60% got less than half of \$2,000. At the other end of the scale, one-tenth of 1% of these families got as much in income as the poorest 42%—a "range" of 420 to 1—and 1.2% got as much as the lowest 60%.

Throughout the "boom" the number of unemployed workers never fell below 2,000,000; and, while wages rose slightly above the 1918 level, prices were artificially stabilised at a time when increased output should have caused them to fall.

During the 'twenties the farming community was sacrificed to industrialists' profits. By 1928, farm prices had risen only 39% above pre-war levels, whilst the manufactured goods that farmers had to buy had risen by 56%. In this decade the value of farm property declined by \$20,000,000,000, and more than 450,000 farmers lost their farms, according to C. A. and M. R. Beard in *America in Mid-Passage*.

That was the boom, but the slump was coming, and it was to last from 1929 to 1934. In view of its effects on America, on Britain, and on the world in general—it was after all a contributory cause to the rise of Fascism in Germany—and of the parallel prospects of an even deeper slump in the near future, in the more powerful U.S.A. of to-day with its capitalist basis unchanged, I must tell something of its story.

The origins of the slump in America were definitely internal. The nature of its system—*laissez-faire* capitalism—was at least a major cause of the world slump. The financier and industrialist, as usual, made the slump both inevitable and more acute by reckless speculation and unco-ordinated development, whilst displaying complete ignorance that it was even coming. They built factories and started up enterprises with no relation to their use or even profitability; for example, the productive capacity of the boot and shoe industry was raised to three times what the country could have absorbed if every American bought all the boots and shoes he or she could fairly need, which the negroes and many others could not do.



Speculation was fantastic. Between 1924 and 1929 industrial stocks rose by over 200% (as against 25% in Britain); their sales were pushed up by "high pressure" methods, stocks even being sold on the doorstep like vacuum cleaners. Interest rates were driven up to heights that put loans for social purposes out of the question for local authorities. Capital was brought back from abroad to participate in the frenzied profiteering at home, leading to an acute credit shortage throughout the world.

In this atmosphere the leading slump-makers made optimistic statements which remind one of the nonsense talked by Sir S. Hoare and other British ministers in March 1939, when they were announcing the arrival of the Golden Age of Peace in Europe, in the few days before Hitler marched into Prague. Coolidge, Big Business's favourite President, told Congress in 1928 that the country was in an "era of prosperity more extensive and peace more permanent than ever before." On the very day of the stock market collapse in October 1929, one of the biggest business men in the country, Andrew W. Mellon, Secretary of the Treasury, and later Ambassador to Britain, proclaimed that "business is fundamentally sound"; and on New Year's Day, 1930, when unemployment was rising fast, he was able to say: "I see nothing in the present situation that is either menacing or warrants pessimism." And later, in May 1930, long before the slump had reached its lowest depth, President Hoover said: "We have now passed the worst."

Whilst Hoover did nothing for the millions who suffered—opposing any direct or indirect Government "dole", and vetoing a Congress bill to provide federal aid in the setting up of employment exchanges—he attended to the interests he really represented. He bought up wheat stocks, thus saving the banks which had made advances to the farmers, even if he did not save the farmers themselves; and he urged Congress to review legislation "to restore confidence in railroad bonds", to afford more adequate safeguards for bank depositors, and to curtail

federal expenditure in various directions. (On this man, whom President Truman thought fit to employ on a recent food mission to Europe, see also pp. 83, 108, and 125.)

The slump was acute. Between 1929 and 1932 the value of international trade fell by two-thirds. Industrial production in the United States fell by 55%, and in Britain, where there had never been a full recovery from the First World War, by 25%. Primary producers, smitten by the catastrophic price falls, were further hit by the highest tariff in the world's history—the U.S. Hawley-Smoot Tariff of 1930, which raised duties in 890 cases by an average of 31% to 34%. Britain retaliated by abandoning free trade and setting up an imperial economic wall at Ottawa in 1932.

Two quotations from orthodox sources sum up the slump position. In its report of December 1931, a committee of the U.S. Chamber of Commerce said:

To an onlooker from another world, our situation must seem as stupid and anomalous as it seems painful to us. We are in want because we have too much. People go hungry while our farmers cannot dispose of their surpluses of food; unemployed are anxious to work, whilst there is machinery idle with which they could make the things they need. Capital and labour facilities for production and transportation, raw material and food, all these essential things we have in seeming super-abundance. We lack only applied intelligence to bring them fruitfully into employment.

Secondly, the Preparatory Commission of Experts in their Report for submission to the 1933 World Economic Conference, stated:

At least thirty million workers are unemployed... The burden of suffering and demoralisation resulting from unemployment is appalling. Wholesale commodity prices have declined since October 1929 by roughly a third; raw material prices on the average by 50% to 60%. In the middle of December (1932) at



Winnipeg the price of wheat fell to the lowest level recorded in any primary market for wheat during the past four centuries . . . The United States steel industry at the close of 1932 was operating at only 10% capacity.

Well might President Roosevelt refer in his inaugural address in March 1933, to "a stricken nation in the midst of a stricken world." On that very day American finance was well-nigh bankrupt; in 47 out of 48 states the banks were either closed or were doing business with stringent restrictions on withdrawals.

As the depression reached its worst the American working class began to hit back. With no strong political party, with unionism relatively weak and largely organised on craft lines, with a public misled by a violently anti-labour Press, they nevertheless showed signs of resistance in 1932 and the beginning of 1933. The conservative Railway Brotherhoods in 1932 addressed President Hoover as follows:

The unemployed citizens whom we represent will not accept starvation while the two major political parties struggle for control of government . . . There is a growing demand that the entire business and social structure be changed because of the general dissatisfaction with the present system.

The no less conservative A.F. of L. president, Mr. William Green, said in January 1933:

After three years of suffering, we, the organised workers, declare to the world, "Enough! We shall use our might to compel the plain remedies withheld by those whose misfeasance caused our woe."

Mr. Roosevelt, it is plain, came just in time to save America from a social upheaval.

In view of the question frequently asked as to the possible influence of U.S. finance on the plans of the present Labour Government it is important to see what America did to the Labour Government of 1929-31.

Soon after the Government had come in, at the Brighton Conference of the Labour Party in October 1929, Mr. Snowden, Chancellor of the Exchequer, had to defend himself against rank and file criticism for having allowed the Bank of England to raise the bank rate to 6½%, a step rendered necessary by the rush of money from London to U.S.A. in search of high profits in the American speculation boom. The effect of this was deflationary, that is, it discouraged new enterprise, rendered money for social and municipal expenditure very dear, and, worst of all, caused further unemployment. Mr. Snowden in the course of his defence said:

There must be something wrong when an orgy of speculation 3,000 miles away should dislocate the financial system here and inflict grave sufferings upon the workers of practically every country in the world.

There was indeed something wrong, but Mr. Snowden was helpless, and the bank rate was not reduced until New York permitted it.

Much worse was to come in 1931. Following the alarmist report of the committee headed by the Prudential Insurance Chief, Sir George May, a flight from the pound began. New York and Paris demanded the repayment of large loans which they had "on call" in London. Unfortunately, the money was not there, much of it having been lent again to other countries, notably Germany, at a good profit to Lombard Street. At once Mr. Montagu Norman, Governor of the Bank of England, demanded that the Government accept the May Commission recommendations for cuts in social services, reductions in pay for public servants, and a 20% cut in unemployment benefits, in order to restore "confidence" in New York, and so procure further loans.

The Cabinet agreed to cuts of £56,000,000, but refused at first to cut the "dole" (unemployment benefit). Montagu



Norman declared that if the "dole" were not cut, there would be no American loan. Under this blackmail, the majority of the Cabinet finally agreed to further cuts of £20,000,000, including a 10% cut in the dole (i.e., from 17s. to 15s. 3d. for an adult male). Mr. Snowden in his autobiography gives us a very graphic picture:

On Saturday, August 22nd, the situation was hectic. The Bank of England submitted to Mr. Harrison, the President of the New York Federal Reserve Bank, the tentative suggestion of a reduction of 10% in unemployment payments and £7,000,000 from other sources. Mr. Harrison replied by telephone that, while he was not in a position to give the answer until he had consulted his financial associates, his opinion was that it would give satisfactory assurance and the credits would be forthcoming.

Thus was a Labour Cabinet compelled by capitalist finance to reduce its would-be workers to dry bread on 15s. 3d a week. Two days later the National Government was formed.

The Wall Street *Journal of Commerce*, on August 25th, the day following MacDonald's Government "coup", wrote:

The international bankers have declared that, provided the National Government indicated publicly and without ambiguity that unemployment doles would be cut, it would find no difficulty in securing credits in the United States and in France . . . The opening of credits might have followed the issue of long-term loans without any trouble whatsoever under a Conservative Government, in contrast to which a Labour Government would have found difficulty.

There is no reason to think that Wall Street has changed its spots, or to doubt that the abrupt end of Lend-Lease in August 1945 was the result of Labour's victory the previous month.

Another significant feature of the slump in the U.S.A. was that the great monopolies suffered least; indeed, the very large corporations even gained ground. The two hundred largest

non-financial corporations—all those whose assets were \$67,000,000 or more—had the total value of their assets reduced only from \$98,500,000,000 to \$95,600,000,000 between 1929 and 1933, whereas those of smaller concerns fell from \$100,800,000,000 to \$72,100,000,000. America's working class and small and medium capitalists suffered and died to keep Big Business afloat.

The dominating position in this period of the Two Hundred Corporations, now almost as famous as the "Two Hundred Families" of France, is shown by the fact that the dividends they paid out in the peak year of 1937—\$2,000,000,000—represented no less than 45% of all dividends paid by non-finance corporations. Already in 1930 these two hundred corporations, less than .007% in number of the 300,000 non-financial corporations dealt with by A. A. Berle and G. C. Mearns, in their famous book *The Modern Corporation and Private Property*, controlled "nearly half of the corporate wealth of the United States," and the largest of them (in 1933), the American Telephone and Telegraph, controlled more wealth than was contained within the borders of 21 of the States of the Union.

Turning to finance houses, thirty of the largest banking corporations, comprising less than 1% of the U.S. banking system, held 34.3% of the country's banking assets in the mid-thirties, while eighteen insurance companies held no less than 81.5% of all life assurance assets.<sup>1</sup>

Nevertheless the post-slump years were years of Big Business re-organisation and consolidation rather than of increasing concentration, which was not to resume its development until war—and war contracts—returned.

Whilst Big Business recovered substantially, the American people never did. Production reached and profits surpassed

<sup>1</sup> Figures quoted from *Corporation Concentration and Public Policy*, Purdy, Lindahl and Carter, Prentice-Hall, 1942.



their 1929 peaks, but no fewer than 8,000,000 workers were unemployed through the 'thirties—and even up to 1940, when war contracts were already rolling in—out of a working population of rather over 53,000,000. The inequalities of wealth are clearly shown by the study of "Consumers' Incomes in the United States in 1935-6" made by the Government National Resources Committee (1938); 13,000,000 families and individuals, 32% of the total, had annual incomes of less than \$750 (then £150, in a country where the cost of living is much higher than in Britain); 69% had incomes under \$1,500; and over 89% had incomes under \$2,500.

American farmers failed to regain even their depressed 1929 levels. The seven million small farmers—99% of whom employed less than five persons each—despite the New Deal measures, never fully shared in the mid-'thirties recovery.

Three and a half million rural households—more than one out of four of the families on farms and in villages—received assistance from a public or private agency during the years from 1930 to 1937.<sup>1</sup>

Steinbeck's terrible indictment of the effect of agricultural capitalism in *Grapes of Wrath* described conditions not in the slump but in the industrial boom. Soil erosion, largely a result of capitalism's anarchic drive for immediate profits, had reduced America's original soil fertility by between 30% and 50%. This whole slump picture is tragic, and familiar too. We have not seen the end of slumps, for they are unavoidable under the present economic system, and the remedies—or rather palliations—sought to be applied within the limits of that system only aggravate the disease.

On this occasion, as we shall see in the next chapter, the efforts of Roosevelt nearly saved the system; but it defeated him.

<sup>1</sup> *Ill Fares the Land*, Carey McWilliams, Faber, 1945.

## Chapter Six

### ROOSEVELT'S NEW DEAL

"A stricken nation in the midst of a stricken world."

"Social values are more noble than mere monetary profits."

*Roosevelt: Inaugural Address, 1933*

THE contrast between the two Americas received its most vivid illustrations in Roosevelt's New Deal, in which he went some way to save capitalism from itself, and his people from the worst effects of capitalism. It was a mighty fight against American Toryism, both before and during the Second World War; and, although the trend has been temporarily reversed since his death, its very history gives us ground to hope that the American people can reverse it again. Indeed we shall see later in the book good signs of their starting the work to-day.

The New Deal brought a considerable measure of internal recovery and social amelioration. Roosevelt proclaimed it a national responsibility to see that no one starved, and levied direct taxation on the rich to provide food, clothing, and fuel for the needy. Big Business fought the whole programme, particularly the National Recovery Administration (N.R.A.), with ever-increasing bitterness. The N.R.A. (originally sponsored by the U.S. Chamber of Commerce) gave labour the opportunity to organise and secure minimum demands; it saved Big Business from bankruptcy, and averted tremendous social upheaval.

The opponents found their most valuable weapon in the Supreme Court, which declared unconstitutional seven out of nine important New Deal Acts. President Roosevelt's attempt in the following year to reform the Supreme Court failed, and



only the death or retirement of some of its majority members enabled progressive legislation to be validly enacted.

Tories in both parties launched attacks in every direction on the New Deal. In 1934 they founded the American Liberty League "to combat radicalism, preserve property rights, and uphold and preserve the constitution." Heavily financed by the Du Ponts and other wealthy industrialists, it aimed particularly to detach the conservative Democrats from Roosevelt. It fought the new opportunities given to Labour under N.R.A., especially the fair trade condition codes set up in most industries, and the minimum wage and forty-hour week which figured in all codes.

It fought, too,

the right to organise and bargain collectively through representatives of their own choosing, without the interference, restraint, or coercion of employers or their agents.

Labour of course made advances under Roosevelt at this period, both in legislation and in the industrial fight. Its pressure secured the passage of such acts as the Norris-La Guardia Anti-Injunction Act of 1932, which has been mentioned above, and the National Labour Relations Act (Wagner Act) of 1935, which guaranteed the unions the right to organise, to strike, and to picket, prohibited employers from using such practices as Labour spies and strike-breakers, sanctioned the closed shop, the union shop (i.e. the rule that all employees must become union members within a specified time after being taken on and thereafter remain in the union), and boycotts and sympathy strikes.

In the direct industrial struggle, Labour reopened in 1937 the battle against Carnegie's successor, "Big Steel", the United States Steel Corporation. It was fierce, as it had been in the 1890's at Homestead, and again in 1919. As before, workers gave their lives in the struggle, seven men being shot down by agents of the company. But this time the workers were

stronger, and in Homestead itself they issued a magnificent declaration which epitomised the new spirit and power of American labour:

The Lords of Steel have set up company unions. They have sent among us swarms of stool-pigeons. They have kept among us armies of company gunmen. To-day we do solemnly declare our independence. We shall exercise our inalienable rights to organise into a great industrial union . . . We mutually pledge to each other our steadfast purpose as union men, our honour, and our very lives.

"Big Steel" capitulated, but they and their kind, as we shall see, are foremost to-day in the attempt to suppress progress at home as much as abroad.

Labour suffered its defeats, too, and the big employers set up "Company unions" wherever possible. A fair sample was the Republic Steel Company 1938, one of the "Little Steel" ring which refused the reasonable demands of its workers which "Big Steel" had had to grant. The governmental National Labour Relations Board reported on it thus:

Its spies shadowed union organisers; its police attacked and beat them; its officers fostered and supported a whole series of puppet labour organisations which the Company manipulated to oppose the union.

Labour spies made their way into union branches, and after the Committee (later Congress) of Industrial Organisations had broken away from the American Federation of Labour, the companies tried to stimulate jurisdictional disputes between the two bodies. Nevertheless, bona fide trades unionism prospered as never before in American history. The perhaps 2,000,000 membership of 1929 had increased in a single decade to over 8,000,000. But unemployment had also increased, and in 1938 there were still over 10,000,000 without work.

One of the finest New Deal operations was the Tennessee Valley Authority, set up in May 1933, in the teeth of opposition



from private utility companies. Its remarkable achievements could be repeated in many areas; but the big utility interests have so far been able to block any similar developments, including a proposed Missouri Valley Authority in President Truman's home state.

Excellent work of human and social reclamation was done by the Works Progress Administration (W.P.A.) and the Public Works Administration (P.W.A.). At the peak of its work, 3,840,000 persons were being assisted by W.P.A. Originally designed to help manual and clerical workers, it was extended, as the effects of the slump penetrated to professional and intellectual classes previously immune from the worst effects of capitalist depression, to teachers, architects, musicians, artists, and scientists. By mid-1935 W.P.A. had erected or repaired over 6,000 schools, modernised sewerage in 5,000 communities, set up libraries, hospitals, and parks, and built over 128,000 miles of secondary roads. Its Federal Theatre project alone at one time employed 12,500 people. P.W.A. helped large-scale enterprises, such as waterworks and slum clearance schemes.

Recovery was not, of course, complete in the external economic field. In 1937, the best year of the decade, the total value of U.S. foreign trade was still only two-thirds, and its volume only three-quarters, of the 1929 figures (Arndt: *Economic Lessons of the Nineteen Thirties*), and this despite Cordell Hull's Reciprocal Trade policy, which is noticed below. Agricultural exports, which fell from \$1,693,000,000 in 1929 to \$662,000,000 in 1932, only recovered by 1938 to \$827,000,000. In a world desperately short of cotton goods, the cotton acreage had been reduced to the 1900 level, and cotton exports in 1938 were less than their 1929 value; and in the late summer of 1938 wheat was selling at its lowest price for five years.

By that time a new slump had started, and 4,500,000 workers fell out of work between October 1937 and March 1938.

Within a few months, production, which had been slowly mounting since 1933, fell almost as low as the bottom of the 1929-32 catastrophe; the sharpness of the fall was unparalleled in the history of the trade cycle. Another and worse "1929" was only prevented by the armament boom of the pre-war years, and by large exports of war supplies to Japan and other countries preparing for war; Britain, for instance, in 1939 took 600,000 bales of cotton as a war reserve in exchange for 80,000 tons of rubber.

Although throughout this period the United States never had an unfavourable balance of trade, American exporting interests, in their struggle to capture world markets, persuaded the Government to subsidise exports. Between 1933-34 and 1943-44 a total of \$118,000,000 was paid in subsidies on wheat, flour, cotton, tobacco, dairy products, meat and other goods. In the year 1938-39, 94,000,000 bushels of wheat were sold abroad at an average price of 29 cents a bushel, as compared with a farm price of 53.3 cents. In these years the strength of the export "Lobby" was relatively weak, for foreign trade accounted for only 7.3% of the U.S. national income, as against Britain's 25%.

In the field of foreign affairs, the slump had considerable repercussions, temporarily weakening American imperialist forces and strengthening the more liberal elements. Pan-Americanism and the military occupation of Central American states gave way to the "Good Neighbour Policy", even if the neighbour still controlled much of his friends' financial resources and spending power. Cordell Hull's Reciprocal Trade Agreements reduced tariffs to a small extent and enlarged international trade; they also increased America's share in world trade by 20%—from 9.8% to 11.8%—between 1933 and 1937. The rise of Japan in the Far East and of the Fascist powers in Europe did produce a certain reorientation of American policy, although Wall Street was able to block any



very positive moves on the part of Roosevelt. At this period, too, isolationism was prominent. Once again, it was no product of moral indignation at the quarrelsome habits of Europeans. Big Business was isolationist, not because it was not "interested", but because it calculated that isolation was the best way to extend its influence. It played a new version of the old British "balance of power" game, thinking that advantage could best be secured by letting other countries fight and weaken one another and by intervening only to prevent either side getting too powerful. While in the 1920's Britain had been building up Germany against both the Soviet Union and France, America had been re-equipping Germany against Britain as well as against the Soviet Union. In the 1930's, with the growing threat of war, Big Business saw its best course in a profitable neutrality, with itself as the victor in a war it would not have to fight. Accordingly, playing upon the peace-loving desires of the American people, it forced through the Neutrality Legislation of 1935-37, prohibiting the sale of war materials to belligerents, stopping U.S. shipping from entering war zones, and rendering even non-munition supplies subject to "cash and carry" provisions—all this to take effect whenever the President declared a "state of war".

Curiously enough, no such state of war was declared in the Sino-Japanese War, on the pretext that this would help Japan. With her command of the Pacific, it was alleged, Japan would be able, even if the Act was brought into force, to buy the supplies she needed from American industrialists on a "cash and carry" basis, whereas if there was no declared state of war China could buy from the same industrialists through British intermediaries. Another reason for the failure to invoke the Neutrality Act was that, after the slump began in the second half of 1937, it would have been "bad for business", apart from the fear of possible Japanese commercial retaliation.

However, the American people were not convinced by the

reasons given for continuing to help the Japanese aggressor, and they demanded an embargo on the enormous sales of oil, petrol, and scrap iron to Japan. Despite the propaganda of the Press, and the Fascist outpourings of Huey Long and Father Coughlin, they were not prepared to acquiesce in aggression. Their demand was resisted by Washington on the plausible ground that, as there was officially no war, such an embargo would contravene the American-Japanese Commercial Agreement of 1911. Continued public pressure, however, forced the Government to denounce this agreement in July 1939, after another six months had been lost; but it was not until June 1941 that American Big Business was finally prevented from selling to Japan goods of any kind, and thus from helping her attack on the United States, destined to come within six months.

Throughout this period America and Britain were in conflict in the economic field; it is indeed almost impossible for America to expand anywhere without clashing with some interest of ours. Britain's departure from the Gold Standard, in September 1931, turned out to be a useful weapon in the battle for a shrinking world export trade, and British overseas trade decreased considerably less than that of the U.S.A. The conflict was heightened by the new British tariff policy, and by the economic fence built round British Empire trade at Ottawa in 1932. A further blow at American foreign trade and her power in South America was the Anglo-Argentine Roca Convention of the same year, which gave Argentina economically something of the status of a British Dominion and provided the two countries with markets by bilateral trading schemes. It was partly as a result of this attempt to bar American trade from important world markets that the U.S.A., seeking fresh outlets, diplomatically recognised the U.S.S.R., and began substantial trade exchanges with her.

In 1934, the dollar was devalued by 40%, which assisted U.S. exports in their competition with British trade. By 1936 both



countries were prepared to come to terms, and the Tripartite Agreement of U.S.A., Britain and France re-established currency stabilisation.

At about this time the British Government was also playing the dangerous game of attempting to build up Germany not merely against U.S.S.R. but also against the U.S.A. The notorious Anglo-German Naval Treaty of 1935, which allowed the Nazis openly to violate the naval disarmament clauses of Versailles, was made in the hope of forming an Anglo-German *bloc* against the world, with the joint navies balancing the powerful U.S. fleet. As early as 1933 the British Government welcomed Mussolini's proposals for a Four-Power Pact, to co-ordinate the European policy of Britain, Germany, Italy, and France in such a manner as to secure its adoption "in case of necessity by other powers as well". Co-ordination was also to take place on all "extra-European questions". Although the proposal was not adopted, its anti-American implications are almost as clear as its anti-Soviet ones.

Britain's next step was an attempt at economic "ganging-up" with Germany, with the same ends in view. In March 1939, on the very day of Hitler's sudden occupation of Prague, representatives of the Federation of British Industries and of the corresponding organisation in Germany, the Reichsgruppe Industrie (a body exercising governmental powers in the planning of German war mobilisation), were in session at Düsseldorf, discussing the division of world markets and—as their declaration put it—"as complete co-operation as possible throughout the industrial structure of their respective countries". The President of the Board of Trade declared in the House of Commons that these conferences were proceeding "with the full knowledge and approval of His Majesty's Government."

Government assistance in combating American industry was clearly envisaged in the joint declaration:

The two organisations realise that in certain cases the advantages of agreement between the industries of two countries or of a group of countries may be nullified by competition from the industry in some other country that refuses to become a party to the agreement. In such cases it may be necessary for the organisations to obtain the help of their governments and the two organisations agree to collaborate in seeking that help.

The *Economist* commented:

The United States is one country that would be most unlikely to become a party to the agreement. The clause consequently means that in given circumstances the F.B.I. contemplates seeking British Government subsidies to help German trade against American.

Fortunately British public opinion and the generally growing fear of Hitler's aggressive intentions put a stop to these attempts to strengthen Nazi industry. British industrialists are not, of course, more to blame than their rivals across the Atlantic. At the beginning of the war in 1939, Du Ponts hastened to assure the German chemical and dye colossus, I. G. Farben, that they would not pass on any patent knowledge to British firms. Another I. G. Farben cartel, that with the Aluminum Company of America and the Dow Chemical Company, prevented adequate sales of magnesium to Britain, and severely limited American production. American corporations helped their Nazi business associates to surmount the British blockade. America's industrialists weakened their own country, too, by their cartel agreements with Nazi industry, the most notorious being the I. G. Farben-Standard Oil agreement, which permitted the former to develop synthetic oil production in Germany while preventing the latter from developing synthetic rubber until shortly before U.S.A. came into the war.

It is a tragedy that the foreign policy of the British Government during the 'thirties discouraged progressive elements in



America and played into the hands of the isolationists. Manchuria in 1931, the Hoare-Laval Pact of 1935, and the Munich Agreement of 1938 were all victories for American Toryism, carried through in the teeth of strong opposition from progressive forces. To-day a similar position prevails; and a change of foreign policy in Britain would be an encouragement to Britain's real friends in America. It is not surprising that Roosevelt achieved more on the home front than in foreign policy, where he faced British governmental opposition abroad as well as Tories at home.

The outbreak of war in 1939 marked an immediate further step in the strengthening of American capitalism at the expense of Britain. Under the Neutrality Act, Britain was compelled to pay cash for every item she bought, and to carry it through the U-Boat blockade in her own merchant ships. Until Lend-Lease began in March 1941, she had to draw on her gold reserve, which fell as low as £3,000,000, and to realise many of her investments in the United States and elsewhere to pay for her essential imports from the U.S.A.. She was particularly weakened also in South America and in Canada. In 1940, America was able to barter obsolete destroyers for West Indian bases. And when, in 1942, it became clear that Australia and New Zealand must look to U.S.A. rather than to Britain for Pacific defence, the change in relative positions that had begun at the opening of the century was again vividly illustrated.

From the end of 1941—when America came into the war—until his death early in 1945, Roosevelt carried on his greatest fight for freedom and progress in America and in the whole world. He inflicted many defeats on the opposition, and in particular, imposed strong price control through the Office of Price Administration, and greatly improved both the conditions and the rights of Labour; the Trade Unions came to play a greater part in political and economic and social life. His enemies fought back hard enough, considering the handicaps

imposed on them by the need to win a war which was directed against Fascism.

Under Roosevelt, American armed forces and material made important direct contributions to victory; American Lend-Lease gave invaluable aid to the Allies—from the 11th March, 1941, to 30th September, 1945, its supplies totalled \$50,692,000,000, of which \$31,392,000,000 went to Britain and \$11,297,000,000 to the U.S.S.R.

More important still, Roosevelt played a leading role in binding the three great countries—U.S.A., Britain, and U.S.S.R.—together and in shaping both the lines of the peace settlement and the type of world economy and world organisation to be built up when hostilities ceased. A harsh contrast between the two Americas—and to some extent between the two Britains—comes out clearly when one recalls the tripartite declarations of Roosevelt, Churchill, and Stalin during the war.

Even the relatively vague phrases of the Atlantic Charter, as, e.g., that the signatories "seek no aggrandisement, territorial or other", at any rate emphasise the sharp contrast with the present territorial expansion under Truman. This was in August 1941, before America came into the war; but at Moscow, in 1943, there was something much more concrete:

The signatories declare:

That they recognise the necessity of establishing at the earliest practicable date a general international organisation, based on the principle of the sovereign equality of all peace-loving states and open to membership by all such states, large or small, for the maintenance of international peace and security.

That after the termination of hostilities they will not employ their military forces within the territories of other states except for the purposes envisaged in this Declaration and after joint consultation.

That they will confer and co-operate with one another and with other members of the United Nations to bring about a practicable general agreement with respect to the regulation of armaments in the post-war period.



And, seventeen months later, at Yalta, under the heading "Unity for peace as for war", that America in whose name a fantastic campaign is now being waged against the U.S.S.R., against unity, against any real peace, and against the most elementary rights of American labour, committed itself sincerely enough, through the pen of its great leader, to the reaffirmation of "our common determination to maintain and strengthen in the peace to come that unity of purpose and of action which has made victory possible and certain for the United Nations in this war. . . ."

The declaration went on :

Only with continuing and growing co-operation and understanding among our three countries, and among all the peace-loving nations, can the highest aspiration of humanity be realised—a secure and lasting peace which will, in the words of the Atlantic Charter, "afford assurance that all the men in all the lands may live out their lives in freedom from fear and want".

President Roosevelt realised of course that he would have to fight to keep these pledges, and he knew the importance for the future of the world of keeping them; when reporting to Congress on his return from Yalta he stated :

Unless you here in the Halls of the American Congress—with the support of the American people—concur in the decisions reached at Yalta, and give them your active support, the meeting will not have produced lasting results.

Even during the war important groups in America were hostile to any wholehearted anti-Fascist fight, hating alike the support given by Roosevelt to the U.S.S.R. and other democratic countries, and the concessions that he made at home to Labour in the course of the war. This hostility exercised a braking effect on the total war effort in various ways.

Both the technical preparation for the war and its actual conduct were substantially hampered by the close connexions between great U.S. Corporations and German Trusts and

particularly the famous "State within the State", I.G. Farben. Cartel arrangements "retarded the production within the United States of certain strategic products, including synthetic rubber, magnesium, synthetic nitrogen, tetrazine, atabrine"—the only substitute for quinine in the treatment of malaria—"and sulpha drugs" (See the Indictment of Officials of I.G. Farben, Nürnberg, 1947).

In addition, the selfish attitude of Big Business was a substantial handicap. As was stated in a Temporary National Economic Committee report at the time :

Speaking bluntly, the Government and the public are "over the barrel" when it comes to dealing with business in time of war or other crisis. Business refuses to work except on terms which it dictates. It controls the natural resources, the liquid assets, the strategic positions in the country's economic structure, and its technical equipment and knowledge of processes. The experience of the world war (i.e. the First World War) now apparently being repeated, indicates that business will use this control only if it is "paid properly". In fact, this is blackmail not too fully disguised.

There was a similar handicap in such anti-democratic influences on the conduct of the war as the support in North Africa of Admiral Darlan, and after his death of other semi-Fascist figures; in the Balkans, by the continued support for Mikhailovitch after his collaboration with the Germans was proved, and even after the British Liaison Missions had withdrawn from the Chetniks; by the help given to similar elements in Bulgaria, Hungary, and Rumania; and by opposition to the partisan movements in Belgium, Italy, and France. It figured equally in the Far East, where America gave an overwhelming proportion of its aid to Chiang Kai-shek and his forces, although the evidence of such observers as General Stilwell showed again and again that the greater part of resistance to the Japanese aggressors was being carried out by the Northern Liberation Armies.



## Chapter Seven

### CONCENTRATION OF POWER

"The liberty of democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself."

President Roosevelt, 29th April, 1938

THE time has come to take careful stock of the immense material power with which America emerged from the Second World War—power which must be used in the interests of one or other of the two Americas, and lies for the moment with the uneasy rulers of the trusts and combines.

That power is immense, and it is concentrated in the hands of a very few persons. At the end of 1946 the money income and manufacturing output of the U.S.A. were about two-thirds of the world's total (excluding China and the U.S.S.R.) and her investment capacity about three-quarters. The capacity of American industry increased by 40% in the course of the war as a result of new additions to factories and machinery, about two-thirds of the cost of which was provided by the Government. The additions were valued at \$25,000,000,000.

Labour productivity—"production per man hour"—in industry, mining, and transport increased by about 25%, and is responsible for about one-third of the increase of the output of finished factory goods. Between 1939 and 1944 the number of workers in American industry increased by 60%, whilst the volume of industrial production increased by approximately 120% (longer working hours contributed some of this increase).

The concentration of American economy and the centralisation of its management were summarised in *Structure of American Economy*, published in June 1939 by the National

Resources Committee. As early as 1935 four hundred men held between them nearly one-third of the 3,544 directorships of the 200 largest non-financial corporations and the 50 largest finance corporations (banks and insurance companies). Of 151 corporations, which together included three-quarters of the combined assets of all the 250, all had interlocking directorships with at least three others in the group.

Eight more or less clearly defined groups controlled together 106 of the 250 corporations and nearly two-thirds of their combined assets. One of them alone, the Morgan-First National, comprised 41 of the 250 largest corporations; it included the U.S. Steel Corporation, and covered an immense variety of materials, products, and public utilities, including the American Telephone and Telegraph Company and the International Telephone and Telegraph Company.

These relatively few giant corporations, which dominate the entire economy of the country, are largely owned by a few thousand stockholders. In 1940, 10,000 persons (0.008% of the population) owned one-quarter, and 75,000 owned one-half, of all shareholdings in the country; the hundred largest shareholders received 10.4% of the dividends; 1% of the big shareholdings covered 60% of the common stock shares outstanding; and three family groups, Du Pont, Mellon, and Rockefeller, had shareholdings of nearly \$1,400,000,000, which gave direct or indirect control over 15 of the largest of the 200 corporations, with aggregate assets of over \$8,000,000,000.

This high degree of concentration and ownership is not the only way in which the large corporations are controlled. Power is largely exercised by proxy machinery, interlocking directorates, investment trusts, and banking affiliations.

During the war the process of economic concentration was greatly accelerated. The American public, with its belief in "free enterprise" and competition, does not like such concentration, although it can do little to stop it, and the U.S. Senate



had to appoint a committee to study the problems of "American Small Business". A report to this committee in 1946 by the "Smaller War Plants Corporation" states that

... all through the war years the Senate Small Business Committee was aware of the increasing concentration taking place in manufacturing, and was greatly concerned with what this concentration portended for competitive enterprise in the post-war period. . . . Wartime business casualties reached alarming proportions. Government figures indicate that there were over one-half million fewer businesses in 1943 than in 1941.

The war period [the report went on to say] saw great increases in the concentration of the American economy and startling developments of those monopolistic controls and practices which recent economic history has shown mean curtailed opportunity for successful independent business.

Naturally most of the great increase in employment between 1939 and 1944 occurred in the war manufacturing industries, which were already mainly controlled by large concerns. Between 1939 and 1944 employment in iron and steel, for instance, rose by 500,000, mainly in concerns with more than 500 employees.

The power of the big concerns rapidly increased. In 1939 those with over 1,000 employees covered 30% of the total employment of all trade and industry, and 36% of the total pay roll. By 1943 these figures had risen to 44% and 53% respectively. By 1944 concerns with over 500 employees, representing only 2% of the total number of firms in the U.S., covered 62% of total U.S. employment. Thus, in a few years, the concentration of production had been almost doubled.

By 1942, the Senate report states, the top 5% of non-financial corporations earned 84.5% of the total income of all non-financial corporations.

The wartime increase in concentration was largely due to the distribution of war contracts by the Government to a very small

number of large concerns. Figures given by the War Production Board show that between June 1940 and September 1944 contracts amounting to \$175,000,000,000 were awarded to 18,539 corporations. Two-thirds of this amount went to the top hundred firms, 49% to the top thirty, 30% to the top ten, and 7.9% (\$13,813,000,000) to the top one, that is, the General Motors Corporation.

Scientific research also helped concentration. Before the war, from \$300,000,000 to \$400,000,000 a year, of which about one-fifth was provided by the Government, was spent on scientific research (other than atomic research). During the war this expenditure increased to over \$800,000,000 a year, of which more than three-quarters was provided by the Government. Thus, during the period 1940-44, the Government spent about \$2,000,000,000 in research and development, of which nearly half was paid out on contracts with private industrial laboratories, mostly those of large corporations.

In its report of September 1945 the sub-committee on War Mobilisation of the Senate Committee on Military Affairs stated:

A major problem in the economic development of this country before the war was the increasing concentration of industrial research resources in a few large independent corporations, and a lack of the overwhelming majority of American business of adequate access to the benefits of scientific research and advancement. . . . The pre-war pattern was accepted by the Federal Government during the war years in the allocation of funds to commercial laboratories for military research.

Sixty-eight corporations obtained two-thirds in value of the Federal research and development contracts, and the benefits they derived did not end with hostilities; for example, over 90% of the Government contracts with private laboratories made during the war gave the contractor the property in the resulting patents!



Atomic research comes over and above these figures. During the war the Federal Government expenditure, according to a Senate Committee Report, was about \$2,000,000,000 on the atomic bomb project; of this \$1,300,000,000 was spent on plant and similar facilities, \$1,167,000,000 of this going to three major plants, each operated by a giant private concern, the diffusion plant (\$500,000,000) operated by the Union Carbide and Carbon Company, the Electro-Magnetic plant (\$317,000,000) operated by Eastman-Kodak, and the Handford plant (\$350,000,000) operated by E. I. Du Pont de Nemours Company.

"Atomic Energy for Military Purposes" (the official report on the atom bomb project) shows how the large corporations, above all Du Pont, participated directly in responsibility for and production of the bomb. Since the end of 1942 Du Pont has shared with the Metallurgical Laboratory of the University of Chicago responsibility for producing plutonium, the fissionable material used in making the bomb. Thus, in effect, the atomic bomb and the most advanced knowledge of atomic energy are the monopoly not of the American Government but of the American trusts.

All these achievements were bound to lead to vast and concentrated profits. During fifty-five months of war the acknowledged profits of all corporations, after debiting large sums for depreciation of machinery and salaries of executives, and *after* payment of taxes, reached the figure of \$52,000,000,000. From 1939 to the end of 1945 the liquid assets or working capital of all non-financial corporations were doubled, reaching about \$50,000,000,000, in addition to a "cushion" of \$30,000,000,000 from payment of excess profits taxes, which the corporations were entitled to receive back if post-war profits should fall below the 1939 level.

Even the export trade of the U.S. suffered little during the war. By the end of the war U.S. commercial exports were approaching pre-war level, without counting the vast lease-lend

exports, and during the war American business extended its interests everywhere abroad. General Motors, as one example, expanded its plants in Canada, Australia, Egypt, India and South Africa, as did also other trusts like Standard Oil and Anaconda Copper. Another example is to be found in Mexico, whose imports from the U.S. rose between 1939 and 1944 from 66% to 90% of total imports, whilst exports to the U.S. rose from 74% to 85%. Mexico became practically an American colony, even being forced to close down certain national industries competing with American exports.

Thus, in the course of the war, the American trusts had reached a level of power unprecedented in history. As a whole their main competitors were either eliminated (Germany and Japan), shattered (France), or heavily crippled (Great Britain). They emerged from the war as the most powerful economic force in the world.



## Chapter Eight

### ATTACK AT HOME

"Prices and profits are higher than ever. . . . Real wages have actually fallen. . . . This condition spells . . . disaster."

*Minority Report of Senate Labour Committee, March, 1947*

How are the holders of this immense and concentrated power using it? How have the workers fared, what are their prospects, and what will become of the ground they gained under the New Deal and in the war?

Prices are important to ordinary people. Here—as was to be expected—there was an onslaught on the price controls operated by the Office of Price Administration (O.P.A.). Opposition to them, strong even before the end of the war, came to a head when Roosevelt had died and the war was over.

The National Association of Manufacturers (N.A.M.), the Republicans, the Tory Democrats, and the six great newspaper chains led the attack, and President Truman capitulated like a night watchman in an arranged burglary. By May 1946 almost all O.P.A. control was removed, and prices shot up. Between June and November 1946 the prices of goods rose by 45%. In the five months ending October 1946 living costs rose nearly as much as they had risen in the fifty months following Pearl Harbour, and wholesale prices rose even more. Later, prices dropped a little, owing to the shrinking of the internal market, but in May 1947 they were still far in excess of June 1946.

The profits of the trusts were not reduced. In fact 1946, which showed nearly \$15,000,000,000 profits after taxation, was a record in American history—50% above the best war year, 75% above 1939, and 275% above the average of 1936–39.

The total income of all corporations, on a before-tax basis, rose by 275% in the period 1939–44, whilst wages and salaries rose by 138%. In the next two years the figure rose again to 290% of the 1939 level, but wages and salaries rose only to 169%. On an after-tax basis profits rose 133% between 1939 and 1944, and 183% between 1939 and 1946.

Nineteen U.S. Shipping Companies, with a total capital of \$25,000,000, made a wartime profit of \$356,000,000.

A report prepared for the C.I.O. at the end of 1946 showed that, on an average of all American manufacture, an increase of 21% in weekly earnings would have been necessary in October 1946 to bring real wages back to the level of January 1945; by the end of 1946 the figure was 23% to 25%. This increase in wages could be made, it showed, without increase of productivity or further expansion, the price increase necessary being negligible. Facts collected by the Trade Unions covering four important industries show that this 21% wage rise "would entail less than a 2% price increase at the wholesale level, which could be absorbed out of profit margins." In the textile industry, for example, wages rose by 31.2% and prices by 31.8%; a 6.7% rise in prices would have sufficed to cover the wage increase; and other industries show similar figures.

The only possible result of such a rise in profits and of prices, with the resulting shrinkage of purchasing power, is a slump. That one is coming is obvious, as even the captains of industry agree.

They cannot stop it, except by abdicating. Even the story that American savings would "cushion" the shock has no basis; for savings, too, are unevenly distributed. Two-thirds of all war bonds were held by corporations, banks, life insurance companies and other institutions, and 10% of all the families held 60% of all the savings. In truth, by the end of the second quarter of 1946 savings had decreased by half, and by the end



of the year those of small and medium depositors had virtually disappeared. According to the American Department of Commerce, individual savings fell during 1946 from \$33,000,000,000 to \$16,000,000,000. Half the families of America, earning less than \$2,000 a year, have now nothing but their current wages and salaries to look to for their purchasing power, and have no savings in reserve to meet the higher prices. The gap between available purchasing power and the production of goods and services at current prices by the end of April 1947 was already about \$30,000,000,000. Even Mr. Henry Ford II, in January 1947, reported that "already millions of Americans are unable to buy the things which in normal times make up their standard of living".

Employment has also suffered. By mid-1947 there were already 2,600,000 registered unemployed, whilst the estimates of unregistered unemployed, including demobilised soldiers, were much larger. In this situation, most economists, American, British or Soviet, consider that the crisis will come some time in the year or so following the end of 1947. A minority report of the Senate Labour Committee in March 1947 stated:

The basic and incontrovertible fact of our recent economic history is that prices and profits are higher than ever before in our history, while real wages have actually fallen. The prolongation of this condition spells, as all impartial economists agree, disaster for the economy.

In short, all the classical signs of a coming slump are present. In mid-1947, industrial production, according to the Department of Commerce, "continued to drift downwards", and in June, exports fell sharply, being 13% lower than in May. Industrial share prices were in general lower than their post-war peak.

Moreover, the structure of American economy is such that when the crisis breaks it is likely to be a very heavy one. During

the 1929-32 crisis, it should be remembered, industrial production in the U.S. fell by 46% compared to 27% in the capitalist world as a whole. According to the Department of Commerce, a fall in the level of production even to the position of 1940, a very high year, would involve a drop of 30% in output from wartime level, and lead to 19,000,000 unemployed.

Labour, with the added strength and understanding won during the war and the Roosevelt administration, of course took steps to meet the danger, and at the 8th Convention of the C.I.O. in November 1946 the resolution on wages demanded several measures, including large wage increases, in order to avert the crisis:

Under present conditions it is therefore imperative that American industry in collective bargaining give substantial wage increases. Our people must have sustained purchasing power and a decent living wage to avert the severe economic threat which now confronts us.

The great trusts, too, were out to fight to undo the progressive achievements and legislation of the Roosevelt era. In fear of the slump and its consequences, intensely worried by the increase in power and organisation of the Labour movement, they started a frontal attack to smash Labour and the progressive movement generally by every form of activity, ranging from red-baiting to new legislation.

The Republican victory in the November 1946 elections for the 80th Congress was at once a result of the growing strength of the trusts, and a demonstration of the weakness of having no alternative to the two "traditional" parties, Democrats and Republicans. The result was mainly due to dissatisfaction with the Truman administration arising from the contrasts between rising prices and profits and decreasing wages and salaries, and from its general disloyalty to the Roosevelt policies; and, in the absence of a third party, the only way to show disapproval of Truman was to vote for the "Die-hard" Republicans. The



Republicans, as a result, achieved a definite majority in both Houses of Congress for the first time since 1928.

The British reader can get an idea of the position in this way: If there were no political parties save Tories and Liberals, the only way in which our working-class movement could show dissatisfaction with a Liberal administration would be to vote for Mr. Lyttelton and Mr. Robert Hudson.

True to the pattern described above, one of the early forms of the attack was a new full-scale Red Scare, carried to fantastic heights. Its leaders are the Republicans, the Right Wing Democrats, the Catholic hierarchy, the Federal Bureau of Investigation under Mr. J. Edgar Hoover, the Wood-Rankin Parnell Thomas "Committee on Un-American Activities", and the little semi-Fascist leagues like American Action Inc., offspring of America First and the American Liberty League. They have unfortunately been assisted by small groups within the Left who are more intent on anti-Communist activities than on the defence of Labour. Here, again, the position is improving as the anti-Labour moves by Congress bring the A.F. of L. and the C.I.O. together in the defence of the interests of organised Labour.

The scare was well described by Harold L. Ickes, former Secretary of the Interior, on April 24th, 1947, when he charged the Republican and Democratic Party leaderships with trying to outdo each other on "the dishonest issue of Communism". The Republicans had won the 1946 elections, he said, by raising the "Red" cry about the Democratic administration: "however they neglected to copyright it. They were to discover to their dismay that President Truman on behalf of the Democratic Party had neatly taken their dishonest issue away from them."

Red-baiting rages in every sphere of American life, in Government and Civil Services, in Hollywood and in the schools, in the trade unions, and even amongst the Americans overseas.

Red-baiters see Communists everywhere. According to Mr. Edgar Hoover, speaking to the House of Representatives Appropriations Sub-Committee in May 1947, they had "penetrated every field of activity in the U.S." He seems to have counted them personally; he said that for every one of the Party's 74,000 members in the country there were "ten other individuals ready to do the Party's work. Communists had gone into films, radio, newspapers, labour organisations, and every field of endeavour."

The activities of the "Un-American Committee" were particularly extravagant. One of its worst efforts was the attempt to convict the German refugee Gerhart Eisler on a charge of espionage, "atomic conspiracy", and "plots to overthrow the Government"; but it also succeeded in making an "informal demand" that the Government of the United States should prosecute Mr. Henry Wallace for criticising the Truman arrangement to aid Greece and Turkey, under an Act passed in 1799 providing for the punishment of persons guilty of advising foreign governments without authority and of opposing U.S. policy!

The "Un-American Committee", as it has come to be known, is active, too, in Hollywood. Among a number of U.S. films which it branded as Communist propaganda are "Mission to Moscow", "Margie", "Boomerang", "North Star", "Watch on the Rhine", "Private of the Marines", and "The Strange Loves of Martha Ivers". As always in such witch-hunts, there were occasions when the hunters carried the chase to ridiculous lengths. For example, they produced such an atmosphere in Hollywood that it was thought necessary to defend a popular film actress named Miss Ginger Rogers against any suspicion of Red affiliation by giving evidence that, when confronted with the task of uttering in some screen play the subversive phrase "Share and share alike, that's democracy", she had nobly refused, and the dreadful words



had been passed on to a minor character, in whose mouth they would presumably be less harmful.

Red-baiting has been strong, too, in the schools. Action has been taken against school teachers and university professors. Books, including text-books, have been banned—for instance, at the end of February the American Board of Education voted that *Citizen Tom Paine*, a biographical novel, should be forbidden in school libraries.

Civil servants and other state workers have been particularly under fire. President Truman's executive order of March 22, 1947, instructs the Civil Service Commission to set up a "Central Master Index" of all Federal employees investigated, and directs that each Government agency "should develop and maintain, for the collection and analysis of information relating to the loyalty of its employees and prospective employees, a staff specially trained in security techniques and an effective security control system for protecting such information generally and for protecting confidential sources of such information particularly." Federal Bureau of Investigation (F.B.I.) agents call on the neighbours of Government employees to enquire about their social and home life, and the character, quality and colour of their associates, and on their colleagues at work to ask about their political views, union activity, and reading interests. The campaign has already resulted in the dismissal of several of America's leading news commentators and a great purge of Press correspondents. "Anti-Communist Officers" are being appointed to the main U.S. Embassies throughout the world.

It is not surprising that when, on the 28th June, 1947, Gerhard Eisler and all sixteen of the members of the Executive Board of the Joint Anti-Fascist Refugee Committee were found guilty on various charges and given the maximum sentences possible, and State Department employees with good records were being dismissed, the British Broadcasting Corporation reported that "the zeal of the F.B.I. and the American Intelligence

Officers investigating the record of Civil Servants with progressive opinions of any sort is worrying many liberal-minded people whose loyalty cannot be questioned. They consider that some of the evidence on which allegations of disloyalty are based is too flimsy by legal standards to warrant description by any other terms than 'witch-hunts'."

There is also a direct demand, supported by the Secretary of Labour, Lewis B. Schwellenbach, for the banning of the American Communist Party; and Mr. Johnston, former President of the U.S. Chamber of Commerce, has called for a "full-scale persecution of Red conspirators" rather than the banning of the party, and has urged a "strengthening of the treason and sedition laws" and the passage of legislation banning Communists from holding office in corporations, co-operatives, and trade unions. By early March 1947 there were 15 Bills awaiting discussion aimed at banning or otherwise persecuting American Communists. (Not only in America would it be wise for those who are not the immediate target to ask themselves, "Who comes next, if we do not stop this?")

Again according to pattern, the next step was to move, in the hysteria worked up by the Red Scare, to a direct drive against the rights of the American trade unions. This shows the essential dishonesty of the Red Scare as a fight for freedom and democracy; for there can be no more essential defence of freedom and democracy in a modern industrial state than the strength of trade unions.

Already during the latter months of the 79th Congress, which ended in 1946, 109 Bills were introduced for discussion designed to curb the rights of Labour in regard to such questions as strikes and picketing. In November 1946 the C.I.O. at its 8th Convention, already mentioned, passed a resolution warning of the dangers of the developing anti-Labour injunction movement, stating *inter alia*:



The American Labour movement has waged a struggle for almost half a century against the evils of government by injunction. Despite the fact that the Supreme Court has agreed that the right to picket and to engage in concerted activities are basic constitutional rights, despite the fact that many of our States have enacted anti-injunction laws, the abuses of the injunction in Labour matters will continue.

The offensive gathered strength from the Republican victory in the elections, and in January 1947 there were 200 odd such Bills awaiting discussion. They crystallised in the end in the Labour-Management Relations Act, 1947 (the Hartley-Taft Act), passed in June 1947, against President Truman's veto, which no doubt he gave with an eye on the Labour vote in the next General Election.

The Act amounted to an open declaration of war on organised Labour. (This is certainly a point on which we can feel that in Britain we have certain advantages; there are no doubt a few people in powerful positions who would like to propose such legislation here, but no government would dare to sponsor it, and under the Labour Government legislation in exactly the opposite direction has already been passed.)

The main provisions of the Act are:

(1) Whilst the right to strike remains, except in the case of Government employees, procedural delays up to 60 days for conciliation and mediation—the so-called “cooling-off” period—are imposed before any work-stoppage can be legal; and in the case of national emergencies, “affecting an entire industry or a substantial part thereof”—i.e., any large strike—the Government may obtain injunctions in the Federal Courts prohibiting the strike for a period of eighty days;

(2) Jurisdictional strikes, e.g. strikes for non-fulfilment of collective agreements, and secondary boycotts—such as refusal to handle goods for delivery to concerns whose workers are on strike—are made illegal;

(3) Injunctions, and also damages payable out of union funds, may be claimed in respect of such strikes and boycotts, or for any breach of work-contracts;

(4) The closed shop is illegal (the union shop, i.e. a shop in which men must join the union within a certain period after entering their employment and remain in it, is permitted if a majority of the workers vote for it);

(5) No union having any Communist officials can have a certificate for “collective bargaining purposes”. This makes it in effect impossible for a union to have any Communist official. The original proposal was to bar not merely officials who *were* Communists but those who *had ever been* Communists; this additional restriction was dropped, not out of any desire to weaken in the battle, but because it was thought to be unnecessary in the light of a Supreme Court ruling to the effect that any person who has ever been a Communist is presumed still to be one unless the contrary be proved;

(6) Union welfare funds must be administered jointly by the employers and the workers;

(7) Unions may not make political contributions.

This Federal Act of itself is a deadly threat to the basic rights of organised labour, which, in a modern industrial country, are the vital guarantees of real freedom; but there is also a good deal of anti-labour legislation in various states. In New York, for example, a new law makes strikes by public employees illegal, with penalties of automatic discharge and three years' bar from wage increases if reinstated.

Labour has of course reacted strongly against this attack. A campaign of resistance to the legislation has been undertaken both by the C.I.O. and the A.F. of L., the two main groups into which the industrial labour movement is divided, and they have found a measure of unity in the common struggle. Against the earlier versions of the present Bill the A.F. of L. voted \$1,500,000 for a campaign; and the C.I.O.



organised great meetings throughout U.S.A., in many of which the A.F. of L. joined. On April 22nd, 1947, the largest demonstration ever held in Madison Square, New York, protested against the earlier Bill, with C.I.O. and A.F. of L. representatives participating. On April 24th, 600,000 workers downed tools at Detroit in a demonstration, and there were similar strikes and demonstrations in many other parts of the country. The passage of the Hartley-Taft Bill into law in June 1947 was followed by a new wave of strikes, described as "unofficial".

Part of the machinery for maintaining "Tory" power against progressive America, which comes in handy in this struggle, consists in the limitation of the voting rights of large sections of its citizens by the poll tax, literacy tests, and similar devices. In the Presidential elections in 1944, in states which impose a poll tax—payment of which is a condition precedent to the use of the vote—only 19% of the potential electors voted. The State of Mississippi has a population of two million, of whom half are Negroes; but the anti-Negro Democrat Bilbo was elected Senator, receiving 85,000 votes out of 150,000 votes cast; only 7½% of the population voted.

In 1940 there were 13,600,000 people of voting age in the eight Southern poll-tax states, of whom only 3,000,000, or 22%, paid the poll tax in the Presidential election; 10,600,000 citizens were thus in effect disfranchised. In 1942, poll-tax payments fell to 829,000, or 6%, 12,800,000 citizens being disfranchised.

In the 1944 Presidential elections 19% of the adult population voted in the poll-tax states, compared with 61% in the non-poll-tax states. More votes were cast in 1944 for the five Representatives from Connecticut (population 1,748,402) than for the 34 Representatives from South Carolina, Alabama, Mississippi, Arkansas, and five districts of Georgia (total population 9,666,144).

The Poll Tax is not only a negro issue. It affects all the poorer

sections of the community with, of course, the major injury to Labour; of the 10,000,000 or more Southerners disfranchised by the poll tax, between three-fifths and two-thirds are workers or working farmers.

At the 8th Convention of the C.I.O., already mentioned, a resolution on "Protection of Democracy" was passed, stating:

... The right to vote, the most precious civil right of free America, is being denied millions of Americans, either outright or through such devices as the Georgia Unit Vote. Foul-mouthed politicians such as Senator Bilbo attempted to organise private mobs to prevent negro citizens from voting. Special undemocratic "literary" tests are being devised for the same purpose.

Such is the anti-Roosevelt, anti-Labour, Big Business, monopoly America, which makes it so important for us to remember the other America, its achievements, its potentialities, its common decency.

Among the most important instruments forming public opinion to-day are the Press, the Radio, and the Cinema. In the fight between the two Americas, their control is of paramount importance. Let us see where it lies.

On the Press, a Private Commission presided over by Mr. Robert M. Hutchins, President of Chicago University (not a "Red" commission, but one suggested and partly financed by Mr. Henry R. Luce of *Time* and *Life*), reported:

The right of free public expression has . . . lost its earlier reality. Protection against government interference is now not enough to guarantee that a man who has something to say shall have a chance to say it. The owners and managers of the press determine which persons, which facts, which versions of the facts, and which ideas shall reach the public . . . Under these circumstances it becomes an imperative question whether the performance of the press can any longer be left to the unregulated initiative of the few who manage it . . . Monopolistic practices, together with the cost of machinery and the momentum of big, going concerns, have made it hard for new ventures to enter the field of mass communications.



The U.S. Press, like the industries, is becoming more and more concentrated. Whilst the total circulation increases, the number of periodicals, and of their owners, decreases; and growing costs and capital outlay make it difficult for small papers to survive and impossible for new independent ones to start. Since 1918 the circulation of daily papers (40,000,000 in 1946) has risen by 60%. In the last few decades the number of owners has fallen by 1,000; one owner alone has 3,000 weeklies, and in 1940 six "chain" owners had two-thirds of the total chain circulation.

It is a little shocking that American critics of the new democracies in Eastern Europe and of the Soviet Union speak of "lack of freedom of the Press", and that in 1946 American pressure even forced U.N.R.R.A. to withhold deliveries to countries where the freedom of the Press did not satisfy American observers!

As for Radio, one-third of all regular radio stations in America are interlocked with newspapers. In more than 100 areas the only newspaper that remains owns the only broadcasting station. By 1946 there were radios in 90% of American homes, a total of approximately 59,000,000 sets. Of about 900 commercial stations and 28 non-commercial stations in 1941, 730 were in four main networks, which had 95% of all night-time broadcasting power. The President of the National Broadcasting Company (N.B.C.), stated in December 1943 before Congress:

The argument is now advanced that business control of broadcasting operations has nothing to do with programme control. This is to forget that "he who controls the pocket-book controls the mind". Business control means complete control and there is no use arguing to the contrary.

At the cinema, weekly attendance in 1946 was more than 100,000,000. Five companies control the 2,800 key cinemas of

the nation. These five (the big five) take more than three-quarters of the money spent by American audiences on screen entertainment. With three satellite companies, they virtually control the film industry; holding more than 80% of all first-run metropolitan theatres, they have virtually complete censorship, positive and negative, of what the public sees.

I conclude this chapter with a word of encouragement to all those in America, and in Britain too, who are resisting this "attack at home". Let them remember, and learn by heart, the words of the popular American workers' song:

If you don't let Red-baiting break you up,  
And if you don't let stool-pigeons break you up,  
And if you don't let race-hatred break you up,  
You'll win—what I mean is, take it easy—  
But take it.



## Chapter Nine

### ATTACK ABROAD—POLICY

"An invasion of American dollars, machinery, industrial efficiency, and technical talent will be welcomed in other nations as true liberators."

*President, U.S. Chamber of Commerce, 1946*

"Push ahead with the reconstruction of those two great workshops of Europe and Asia—Germany and Japan—upon which the ultimate recovery of the two continents so largely depends."

*Dean Acheson, U.S. Under-Secretary of State, 8th May, 1947*

WE have already noticed how during the war progressive Americans sought to secure that post-war outlets should be found for their country's greatly increased productive capacity so as to make of it a benefit, not a disaster; and we have seen how their opponents defeated the Roosevelt policies and started the country off on its Gadarene progress through rising prices to a slump. And now that they see the beginning of slump symptoms, what are they doing to cope with it on their own lines?

Logically and inevitably, with greatly developed industries, a shortage of many raw materials, a need for a vast export trade, and a plethora of money, they have to expand. Isolationism is the wrong policy, even from their point of view, in such a situation; as the *New York Times* wrote on March 12th, 1947, after President Truman's statement on Greece and Turkey, mentioned below: "The epoch of isolationism is ended. It is being replaced by an epoch of American responsibility." Responsibility is a word of various meanings, but in this context it means expansion.

The purely economic expansion is no longer limited to

export of commodities; capital is exported as well, to secure the control of foreign raw materials. And the capital-export policy itself is changing, seeking direct ownership or controlling interests. "This type of capital development represents the migration of American industry abroad, accompanied by the country's know-how," was the description of the process given in the Bulletin of the Foreign Policy Association, on December 16th, 1946.

Through the International Trade Conference, first in the preparatory meeting at London and later in the Geneva meetings of May 1947, the U.S. proposed in brief to outlaw or limit all discriminatory forms of trade, such as quotas, tariffs, and subsidies, which are unfavourable to U.S. trade, whilst preserving those, such as shipping subsidies, which are favourable.

Political expansion is, of course, closely associated with economics; and President Truman's speech to Congress on March 12th, 1947, on the subject of aid to Greece and Turkey, was primarily political. He enunciated a policy, now called the Truman doctrine, of selective aid to countries in Europe. It is scarcely necessary to read between the lines of his speech to see the hints that if any country was thought to be likely to "go Red", its Government would be helped to hold it back on the pretext of resisting the advance of "Russo-Communism"; and it is only a short step from that to attempts to build a *cordon sanitaire*—once again—around the Soviet Union. Mr. Truman—by-passing U.N.O. by adroit excuses about urgency—asked Congress to sanction an expenditure of \$400,000,000 for aid to Greece and Turkey (in addition to what might be drawn from the "post-U.N.R.R.A." relief of \$350,000,000), and for the supply of American administrators, economists, and technicians to help in creating a "stable and self-sustaining economy" in those countries.

Congress duly provided the money, and the work in Greece began, being in effect taken over from the British. Congress,



like many legislatures ultimately dependent on elections, dislikes voting large sums of money for expenditure abroad, whatever be the ultimate effect; but considerable totals have in fact been so expended, as was made clear by Mr. Dean Acheson, U.S. Under-Secretary of State, in a speech at Cleveland, Mississippi, on May 8th, 1947.

In this speech, Mr. Acheson mentioned that America had led in the organisation of the International Bank for Reconstruction and Development and the International Monetary Fund, subscribing to them nearly \$6,000,000,000; that she had increased the capacity of the Export-Import Bank to make loans abroad by almost \$36,000,000, had made a direct loan of \$3,750,000,000 to Great Britain, and was proposing in the course of 1947 to contribute \$500,000,000 to relief and reconstruction in the Philippines and \$1,000,000,000 to relief in occupied areas, in addition to the aid recommended to Greece and Turkey:

Our exports of goods and services to the rest of the world during the current year 1947 [Mr. Acheson added] are estimated to total \$16,000,000,000, an all-time peace-time high. Before the war our exports of goods and services fluctuated around \$4,000,000,000 annually. The volume of commodities now moving out of East Coast and Gulf ports of the U.S. is twice as much as the peak volume which moved out of those ports during the war, when we were transporting and supplying not only our own huge armies abroad, but a tremendous volume of Lend-Lease supplies.

Nothing could be better for the world in general, and especially for the countries which were devastated during the war (if the "strings" are not too entangling), than such expenditure; and it is equally beneficial to U.S. trade. If such a policy were continued—either as a result of Mr. Marshall's Harvard speech of June 5th, 1947 (discussed later), or otherwise—it might greatly ease the coming slump. Unfortunately,

those at present in control are exploiting a supposed "shortage of dollars", said to arise from these large payments, as a pretext for cutting down further help, and for further discrimination on political grounds in selecting the recipients of such help. Mr. Marshall's proposals might mean a turn for the better, but at the time of Mr. Acheson's speech the tide was flowing strongly the other way. Mr. Acheson gave a strong hint of this and of the intention to restore the power of Germany and Japan as a weapon against the Soviet Union. He put it thus:

We are going to have to concentrate our emergency assistance in areas where it will be most effective in building world political and economic stability . . . It is in keeping with the policy announced by President Truman in his special message to Congress on March 12th on aid to Greece and Turkey. Free peoples who are seeking to preserve their independent and democratic institutions and human freedoms against totalitarian pressure, either internal or external, will receive top priority from American reconstruction aid . . . We must push ahead with the reconstruction of those two great workshops of Europe and Asia—Germany and Japan—upon which the ultimate recovery of the two continents so largely depends.

Shortly after, Mr. Hoover, who was so busy at the end of the First World War in teaching Eastern Europe the right political thought by a judicious allocation of food, comes forward with a similar story. In answer to a request from the Chairman of the Senate Appropriation Committee for his views "as to the safe limits of foreign relief," he asserted that the U.S. "has been over-exporting during the last two years," and insisted that "drafts upon the limited resources of this country should be directed towards points where Western Civilisation can be preserved". He must feel 28 years younger!

Mr. Acheson's observations remind us of the constant insistence on the "preservation of democratic institutions", the "democratic way of life", and "Western democracy", as



contrasted with supposed "police states" and totalitarianisms, which are an important weapon of propaganda in American—and alas! in some British—attempts to shut off the countries in Eastern Europe thought to be too friendly to the U.S.S.R. from communion with the West. To understand and to combat this "iron-curtain" propaganda, one must know something both of the countries involved and of the American and British ruling classes' ideas of democracy.

Most of the countries in question have never had well-developed democratic machinery, let alone Parliamentary government. They have but recently emerged from war, and from long years of Fascist or semi-Fascist rule; they have Fascist and other reactionary oppositions working above and below ground to sabotage the work of democratising their institutions and bringing elementary social justice to their peoples. It is essential for them, if they are to retain power and achieve their objects, to deal with their native enemies without kid gloves, as most of the world had to deal with its hostile elements during the war itself. To demand of such countries that they should have no security police, no greater powers of arrest or detention than Mr. Gladstone's governments had in England, and no restriction on the licence of the Press, is in effect to demand that they should disarm themselves in the face of the remnants of their Fascist parties, their former rulers, landowners, and oppressors.

When the limitations of American and British democracy are realised, the attitude of pious horror assumed towards these newly-liberated countries looks like a cloak for the policy of weakening the Soviet Union; for it is utterly hypocritical. Demands for free and unfettered elections come from an American ruling class which has virtually disfranchised every negro and many of the whites in the Southern States—and from a British ruling class which had given the vote to scarcely 10% of its Indian and Colonial peoples. Demands for fair trials

come from people who have never failed to acquit whites obviously guilty of lynching negroes, whilst they "framed" such men as Sacco and Vanzetti. Complaints of arrest and detention without trial come from Americans who in the Red Scare after the First World War arrested, without warrants, 4,000 "radicals" in one night, and from the British who detained the political leaders of British India in their tens of thousands for months and years—who, indeed, in the very days of Mr. Gladstone applied to Ireland Coercion Acts which provide a precedent for everything that has been done in the Balkans.

What these rulers of America really think of democracy may be gauged from the definition given in the "U.S. Army Training Manual, No. 2000-25", which circulated in the U.S. Army from 1928 to 1932, when protests from American Liberals secured its withdrawal. The definition ran:

Democracy: a government of the masses. Authority derived through mass meeting or any other form of "direct" expression. Results in mobocracy. *Attitude towards property is communistic, —negating property rights. Attitude towards law is that the will of the majority shall regulate, whether it be based upon deliberation or governed by passion, prejudice, and impulse, without restraint or regard to consequences. Results in demagogism, license, agitation, discontent, anarchy.* [My italics.]

The attitude described above to the majority of Eastern European countries contrasts oddly with the attitude to Greece and Turkey, which are not patterns of democracy. This is explained, and the true motives for the Truman policy of aid to those two countries made clear, by Mr. Walter Lippmann, one of the frankest of the advocates of "Wall Street World Order". Mr. Truman's policy involved of course the use of American armed forces in Greece, in flat defiance of the undertaking, embodied in the Moscow Declaration of 1943, not to employ military forces in the territories of other states except



after joint consultation with, among others, the U.S.S.R. But this did not worry Mr. Lippmann. He put the point bluntly:

We have selected Turkey and Greece, not because they are specifically in need of relief, not because they are shining examples of democracy and the four freedoms, but because they are the strategic gateway to the Black Sea and the heart of the Soviet Union.

It would indeed have been difficult to put Turkey forward, even to the most gullible, as a democratic country in need of economic aid. She had come through the war intact, as a neutral, drawing advantages from both sets of belligerents; she is a semi-Fascist state, without free elections, free trade-unions, or any civil liberties; and she owes her place on the list of Truman beneficiaries to having a reactionary government and a peculiar geographical situation.

In the field of direct foreign policy we see the same clash between the two Americas, and the same victory—for the moment—of the Tory forces. The principles adopted at the international conferences held during the war, with the fullest support of Roosevelt's America, were—as has been mentioned—the preservation of peace in the post-war world, the full independence of all nations, the right of all people to determine their own form of government, the punishment of the aggressor nations and forces, the building up of an international organisation (U.N.O.) which would be based in the first place on unanimity between the great powers, and general and controlled disarmament.

In general terms American foreign policy as it has developed, with Truman in Roosevelt's place, under the growing power of the American trusts, is the direct opposite of these principles. Instead of fostering the independence of all nations and the freedom of all peoples to determine their own methods of government, the trusts seek to destroy national independence

and to intervene in favour of reactionary forces. Instead of punishing the aggressor nations, they aim at bolstering up the very elements in the main aggressor nations, Germany, Japan, Italy, which were the fundamental driving forces of the Second World War. Instead of developing a United Nations Organisation based on Great Power unanimity, they seek to isolate the Soviet Union and the Eastern democratic countries, and concentrate their main vigour against the principle of unanimity, under the slogan "The veto must go." (The "veto" should be more accurately described as the principle of unanimity; it was agreed on all hands when the principle was adopted that the unanimity of the Great Powers was essential to the preservation of peace.)

Instead of a policy of general and controlled disarmament, the present American Government aims at stemming the disarmament proposals of the Soviet Union and maintaining the monopoly of the atomic weapon, whilst it proceeds with large scale armament itself.

This policy first became clear in the course of the Paris Peace Conference, where the American Government openly opposed both adjustments of frontier in favour of Yugoslavia, and reparations to Yugoslavia and Albania, and fought for "free enterprise" in the Danube and against the principle of unanimity. It became clearer still in the discussion in U.N.O. on the question of control of atomic energy. This matter is of such importance that it should be examined here at a little length; for the overwhelming power that has come into the hands of the American trusts as a result of the production of the atom bomb in the U.S.A. during the war is responsible for much of their present attitude. It was of course right, and inevitable, during the war, that the whole development of atomic energy and manufacture of the atom bomb should be centralised in the U.S.A., a safe territory from the military point of view; and there, in the interests of the



war against Fascism, scientists of many nations worked to develop the processes and produce the bombs. They succeeded; and as a result, after the war, the plant and the "know-how" are in the United States. The greatest scientific advance for thousands of years, capable at once of causing infinite ruin and destruction and of lightening human toil to a miraculous extent, and the plants that could apply this advance in practice, were and are within the control of three of the great American corporations, as already mentioned. Such bodies do not normally share out such power, or refrain from using it; and their possession of it, coupled with the belief that other nations have no such advantage, has stiffened their international attitude, and made them belligerently determined to fight the forces of progress even to the point of a war which they imagine they could win by pressing buttons.

It is thus important to examine the proposals for international control of this power. The scheme put forward by the American Government was stated by Mr. Bernard Baruch at the opening session of the Atomic Energy Commission of the United Nations Organisation on June 14th, 1946. He proposed the creation of an International Atomic Development Authority (A.D.A.) which should ultimately control the development and use of atomic energy (starting from the raw material), own or control all plant, and license all atomic activities. In effect, this meant that A.D.A. would step into the shoes of the three great combines mentioned.

If the authority of U.N.O. were really to prevail, that might have been the first step towards a withdrawal of power from the combines and the American Government; but Mr. Baruch proposed at the same time the abolition of the veto in relation to the whole topic of atomic development. This would in reality withdraw the whole matter from the control of the Security Council, to the great weakening of U.N.O., and make it possible—with the aid of the power to grant or withhold

licenses—for the United States, with the immense advantage of the possession of these plants, to retain control of atomic energy for years to come.

But Mr. Baruch's proposals were in fact much worse than that; for his next proposal involved an indefinite postponement of the vital and urgent steps of immediately stopping the manufacture of atom bombs, destroying existing stocks, and giving A.D.A., if it is to be made into a reality at all, full information as to the "know-how" of the production of atomic energy. His suggestion was that all these steps should be postponed to the time "when an adequate system for control of atomic energy, including the renunciation of the bomb as a weapon, has been agreed upon and put into effective operation, and condign punishments set up for violations of the rules of control which are to be stigmatised as international crimes." He added, truthfully enough, that "before a country is ready to relinquish any winning weapons it must have more than words to reassure it," and he went on to make it clearer than ever that those nations whose people had suffered and died to keep the territories of the U.S.A. safe for their experiments and manufacture were not to share the secrets which they had thus enabled the combines to acquire; for he "offered" no more than that, "in the deliberations of the U.N. Commission on atomic energy, the U.S. is prepared to make available *the information essential to a reasonable understanding of the proposals which it advocates.*" (My italics.)

There is no doubt that for a very long time to come the trusts will, if they can, retain the essential knowledge of the processes and continue to use most of the world's uranium to manufacture atom bombs for eventual use against somebody; and as part of that operation they will stifle the development of atomic energy in their own territories and hamper its development elsewhere by keeping the world short of uranium.

The counter-proposals of the U.S.S.R., which fitted into the



framework of U.N.O. instead of by-passing it, and formed a remarkable contrast to Mr. Baruch's almost indefinite postponement of suppressing the atomic bomb and developing atomic energy, were not accepted. They suggested an immediate convention providing not merely for the renunciation of atomic weapons but for the prohibition of production and storage of such weapons, the destruction within three months of existing stocks, and the establishment of machinery for the exchange of scientific information.

The dangerous position of Britain in any atomic war should not be overlooked. America in such a war would need—and would use—Britain and the British Empire as strategic operative bases. The British Isles, especially, would have to serve as a sort of atomic Malta in any American onslaught against European socialism and democracy. What that would mean for Britain was well summed up in a pamphlet issued by the Atomic Scientists' Association, *Atomic Survey*; I quote from the section "The Position of Great Britain in an Atomic War":

In an atomic war, nations with large territory and dispersed industries will have the greatest chance of survival. Of all the major powers Britain is in by far the worst position from this point of view.

In fact, whoever won a future full-scale atomic war, it seems almost certain that Britain would lose the major part of her industry and population and could not hope to survive as a great power.

Truman's statements that American capital and power are to be used to stem the growth of Communism everywhere are to some extent a smokescreen for American domination of the world, including Europe and the British Empire. This has been made clear by the more outspoken spokesmen of American capital; for example, Mr. Virgil Jordan, President of the

National Industrial Conference Board, early in 1947, said that the United States should police the world, and demanded "the unlimited right of continuous inspection and control of every industrial operation and progress and every public policy which may have a remote relationship to armaments and warfare." America, he said, must go ahead full blast making atomic bombs and become the policeman of the world.

Thus have the original conceptions of Bretton Woods been warped and distorted. In July 1944, that Conference declared the great aims of reducing the obstacles to international trade, promoting international commercial relations, facilitating by co-operative effort the harmonisation of the national policies of member-states, and promoting and maintaining high levels of employment and progressively rising standards of living. But to-day the international trade organisation is seen by American industry no longer as an organisation which by mutual concessions between states can develop a general increase of world trade, but rather as a weapon by which the quotas, preferences, and tariffs of foreign countries can be broken down, and their state planning, government trade control, and trade agreements between planned economies shattered, for the benefit of American trade. And if America's export trade is to be driven forward in this way, the effect on our own exports will be serious. We have thought that our target of an increase in exports of 75% in value over pre-war by 1950 was ambitious enough; but the declared objective of the U.S. Department of Commerce is to increase American exports—almost all of which compete with British goods in the same markets—by 1950 to a value of \$15,000,000,000 per year, an increase of four or five times in value over the average of U.S. exports in the years immediately before the war, and a doubling in actual volume.

Mr. Wallace referred to this "new American doctrine", as he called it, in a speech he made in London in April 1947. He



quoted an article published in Mr. Henry Luce's *Life* in that month, expressing doubts as to the "political and spiritual" preparedness of the U.S.A. for the Third World War—which, it suggested, had already begun—and as to the incompetence of U.S. Foreign Policy. The article went on:

We must reverse this policy and be prepared to make an open bid for world leadership.

This means an American Empire in opposition to the Soviet Empire.

Programme for a U.S. Empire:

Sweeping economic and political concessions to friends;  
Force when and where needed;  
Joint citizenship with the British Empire;  
Suppression of all Reds in the U.S.

Joint citizenship with the British Empire is a kindly way of indicating that America can take Britain over as a sort of subsidiary company in its combine. But the reference to "Reds", including, as Mr. Wallace put it, "all people who oppose this programme", shows that the battles against the progressive forces at home and abroad are so closely linked as to be really one battle.

## Chapter Ten

### ATTACK ABROAD—ARMAMENT

"The United States should strive to obtain bases which would allow it to control the Old World."

*Foreign Affairs*, 1945

THE recent militarisation of the traditionally peaceful United States is equally striking, especially when seen in connexion with the foreign policy discussed in the previous chapter. Those in control of this preparation do not confine themselves to preparing for "pressing buttons". The regular Army, which had a strength of only 174,000 men in 1939, is planned to have about 1,000,000 men, with a reserve of some 5,000,000. The new army is based above all on offensive and not defensive tactics, with bases in all parts of the world and research on atomic and long-distance weapons; the main stress is on air power. America spent on war material and equipment, in the year of peace 1946, 70% of her total expenditure, and in fact more than in her whole history, excluding only the periods of the two world wars and of the American Civil War.

The outlook of those in charge of this immense military power is shown in the development of interest in the Arctic region. This region adjoins three continents, Europe, Asia and North America, and touches on the Soviet Union, Norway, Iceland, Denmark's Greenland, Canada, and the U.S.A. No sane person thinks that the Soviet Union wants to attack the U.S.A., or to get into war at all except an unavoidable and purely defensive war; and a short time ago no one would have thought that the U.S.A. could want war with the Soviet Union. But the rulers who are leading the American people into this



vast expenditure on military power think differently. They cloak their schemes, of course, in the language of defence. General Spaatz, commanding the U.S. Army Air Force, told the A.F. of L. Convention on October 8, 1946, that "only air power can protect this country from attack via the Arctic."

But what are they actually doing? Already during the Second World War the U.S. developed its air and naval bases in Alaska and on the Aleutian Islands. It is now expanding operational and repair bases in the Aleutians. Further East, it holds in Canada a naval base and a number of air bases.

Further East again, it has bases in Newfoundland—which its Press calls the "North Atlantic Gibraltar"—on 99-year leases, and in Greenland and Iceland. These latter, like the bases in Canada, were to be given up two years after the end of hostilities, but there is no likelihood of this happening. As far back as December, 1943, Hearst's *New York Journal and American* published a full page map of the world with a broad headline: "Arctic Zone, 'Mare Nostrum' of Air Age Tomorrow" ("Mare Nostrum"—our sea—was the name given to the Mediterranean by Fascist Italy at the height of her expansionist ambitions).

More recently, at the end of 1945, the journal *Foreign Affairs* said, "The U.S. should strive to obtain bases which would allow it to control the Old World," and, "U.S. bases in Greenland and Iceland are more important than alliances with U.K. and the Soviet Union". Again, in October 1946, the Foreign Policy Report entitled "Influence of Armed Forces in U.S. Foreign Policy" stated that the U.S. Army is "improving" a number of bases in Labrador, Greenland, Iceland, and Baffin Island.

Nor is it a question of just holding a few strongpoints in the Arctic on a "care and maintenance basis"; active manoeuvres take place regularly.

Who is the enemy? Whom do they seek to dominate? What

has become of the independence of Canada, or Denmark, or Iceland? And where are the provisions of the Atlantic Charter, or Yalta?

Science, too, is being increasingly called in for military purposes. It was natural that some \$10,000,000,000 should be spent during the war on scientific research for war purposes; but the post-war development, carried on of course in complete contradiction of the resolution of the General Assembly of the U.N. of December 14, 1946, which recommended international control over scientific discoveries and technological advances, is to expand even this scale of expenditure.

In the fiscal year 1947-8 the Army alone proposes to spend \$280,000,000 on military scientific research; the Air Force, which already had a research allocation of \$185,000,000 in 1946, proposes to build an aviation research centre at a cost of \$600,000,000; and the Navy is equally active. The only limit to their ambitions seems to be the number of scientists available, for the U.S. War Department announced at the end of February 1947 that it was working on a programme to achieve 100% utilisation of every scientist and engineer in the U.S. and was "making a survey which it is hoped will cover every scientifically trained person in the country so that a complete record will be available." It added: "Before the war about \$50,000,000 Government funds were spent annually in America on scientific research. In 1946 nearly \$1,000,000,000 were spent for this purpose, of which 90% approximately for military purposes."

A more noticeable and equally important development is the acquisition of military bases. Such bases were of course necessary during the war, and some 434 of them were set up in the Pacific, Indian and Atlantic Oceans, and in North Africa, Britain, and Europe. These bases should be evacuated in accordance with the express declarations of the Atlantic Charter and the 1943 Moscow Conference, quoted above; but a different



policy was declared by President Truman, who in a broadcast speech on the 9th August, 1945, stated that the U.S. did not covet any egoistic advantage after the war but would keep those bases necessary for the full defence of U.S. interests and international peace, and acquire bases which according to the opinion of U.S. specialists would be needed for American defence and at the present moment were not held by the U.S.A.!

President Truman's statement has been carried out. Most of the original 434 bases have been kept, and new ones have been or are being established. There is to-day no area of the world free from U.S. military bases.

The U.S. is retaining, in addition to the bases leased from Britain, large numbers of bases in Brazil, in the Galapagos Islands (belonging to Ecuador), in Cuba, in Peru, and other states, all under the excuse of "Inter-American defence and co-operation".

In Panama, the U.S. Government in May 1947 proposed to acquire a number of new defence bases outside the Canal Zone; 134 areas in Panama had been taken during the war, 37 of which were still retained at the time.

The bases in the Pacific, constructed not only on Japanese territories but also on those of Britain, France, Australia, New Zealand, and the Philippines, tell the same story. The declarations of President Roosevelt and of many others that America was not aiming at any territorial acquisitions and that after the war control over strategic bases necessary for peace would be exercised by United Nations, are all forgotten. In 1944 certain Congressmen made open demands for the annexation of some of the islands taken from Japan, and in September 1945 the Assistant Secretary of the Navy declared that the U.S. must keep as an absolute minimum a whole string of bases in the Pacific. In the Philippines 23 bases have been leased for 99 years, with express stipulations excluding all countries other than the U.S.A. and the Philippines from the use of them; and

leave is reserved to the U.S. Government to request negotiations to expand or relinquish rights to any of the bases "as required by military necessity", thus really giving the U.S. an option to have as many bases as it likes, where it likes.

The sub-committee on Pacific Bases of the House Naval Affairs Committee put forward in August 1946 even wider demands for full sovereignty or closer control over still more bases, a number of which belonged to allied nations.

Other reports state that the U.S. intends to acquire sole ownership of the Canton Islands (condominium of U.S. and Great Britain), the Christmas and Funafuti Islands (owned by Great Britain) and the Galapagos (owned by Ecuador), that a large U.S. base is being built in Kobe, Japan, and that plans are laid for a "long-term lease" of the Japanese naval base of Yokosuka, as well as strategic naval bases in various areas along the coast of China.

Well might Harold Ickes, former U.S. Secretary of the Interior, criticise these proposals in an article in the *New York Post* early in 1947:

Just what is the value of the pledged word of the U.S. in international affairs? In certain respects it does not seem worth more than the treaties which, under duress, various American Indian tribes signed with us from time to time.

The close interest taken by the American trusts in the Eastern Mediterranean on general anti-Soviet grounds—apart from its anti-British consequences—has also another basis, the question of oil supplies. The Middle East is the most promising source of such supplies in the capitalist world to-day, and Mr. Henry Luce's *Time* summed up the connexion neatly in its comments on Mr. Truman's message on Greece and Turkey of March 12, 1947: "The loud talk was all of Greece and Turkey, but the whispers behind the talk were of the ocean of oil to the South."

Oil is vital not merely to naval power but to the industrial



activities of great states. The U.S.A. has been, and is, consuming oil, especially home-produced oil, very rapidly—indeed, its present consumption is two-thirds of the total world consumption—and it now fears an oil shortage; it is asserted by Mr. Harold Ickes that the crude oil reserves of the U.S.A. are only equivalent to 14 years' consumption. Inevitably, it looks to the Middle East for further supplies. The known reserves there are almost equal to those of the U.S.A.; and the average outputs per well per day in Iran, Saudi Arabia, and Iraq are respectively 300, 150, and 80 times the volume of that in the U.S.A., whilst prices at Haifa were less than two-thirds of those in Gulf of Mexico ports and less than one half of those on the Atlantic seaboard. The American oil interests thus seek to obtain control of the oil deposits in the Middle East and to oust Britain from her former position. Their efforts are meeting with a fair measure of success; by 1945 they controlled 40% of the known oil resources of the region as compared to Britain's 52%, and in actual development and construction of pipe-lines their position is better than that. One example may perhaps be given, in respect of Saudi Arabia.

In that country American interests control virtually all the oil reserves through the Arabian-American Oil Company (Aramco), which is already producing about 200,000 barrels a day, and has contracted for a 1,200-mile pipe-line to the Mediterranean coast, to be completed by 1949.

It is thus easy to understand why the American Government seeks to destroy the progressive forces of Iran, led by the Tudeh party, finances Arab reactionaries against the rising democratic forces in their own countries (Syria, Lebanon, Iraq, Saudi Arabia, Egypt), and brings pressure on Britain to continue its undemocratic policy of holding down the Arab peoples, whilst it also proposes to arm certain governments in the Middle East—to lend, for example, \$25,000,000 to the Iranian Government to purchase American arms and munitions for its army.

An important part of this policy of militarisation consists in the co-ordination and standardisation of the military forces of other nations with those of the U.S.A. in equipment, training, and supplies. Co-ordination, especially when the vital supplies of weapons and ammunition are in the hands of the major power, practically deprives the others of independence, for it means that they cannot go to war unless the major power does, and can scarcely stay out of a war if the major power wants them in.

It seems clear that the U.S.A. has already reached this position of control over Britain. During the war, according to the official report of the Chief of Staff of the U.S. Army, published in Washington in 1946, the combination of the Chiefs of Staffs of the two countries, established in Washington in December 1941, was the most complete unification of military effort ever achieved by two allied nations. Strategic direction of all the forces of both nations, the allocation of manpower and munitions, the co-ordination of communications, and the control of military engines and the administration of captured areas, were all accepted during the war.

There seems little doubt that the position is the same to-day. Certainly it has never been stated or even suggested that any change has been made, and various answers given in the House of Commons in the latter part of 1946, whilst betraying some desire to withhold information, appear in truth to confirm suspicion. It is undeniable that on the 30th October, 1946, a Press communiqué was issued in London by "authoritative sources", stating that an agreement in principle had been arrived at to standardise land, air and naval weapons and munitions to U.S. sizes and patterns, to take practical effect at once. "Authoritative sources" means a government department, and this communiqué actually bore the name of an official of the War Office Public Relations Department, although on being questioned in Parliament the War Minister



denied that the authoritative sources in question were in the War Office.

Latin America is in much the same case. In a Conference of American foreign ministers—twenty-one Republics being represented—held in January 1942 at Rio de Janeiro, it was decided to exchange strategic materials for the purpose of defending the continent, thus enabling the U.S.A. to mobilise all the resources of the Latin-American countries for the needs of her armed services. In February 1945, at the Pan-American Conference in Mexico, the Chapultepec Declaration was adopted, announcing the establishment of a Pan-American General Staff. On May 26th, 1947, President Truman sent a message to Congress carrying the process a good deal further; he asked approval for a Bill containing a programme for military co-operation between U.S.A. and the countries of Latin America, and providing for standardised organisation, equipment, and training methods. The Bill was also to permit the President of the U.S.A. to transfer military and naval equipment to the governments of other American countries, either by sale or some other arrangement. General Eisenhower and other Service chiefs strongly supported this Bill before the House Foreign Affairs Committee in June; Eisenhower stated *inter alia* that unless U.S. arms and instruction were made available the other American countries would revert to the pre-war practice of obtaining their military supplies and instructions elsewhere.

The co-ordination of North and South America in the military field, involving economic co-ordination as well, was carried further in the summer of 1947, at the Inter-American Conference at Petropolis, Brazil, called for the purpose of drafting a "hemisphere defence treaty".

Seventeen American military missions and some naval missions also remain in thirteen Latin-American countries, guiding the training of certain contingents of the Armies; at

the end of 1946, for example, the Brazilian War Minister announced that the Army would continue training by American methods, and that commanders and technical personnel would actually be trained in the U.S.A.

Lastly, the U.S.-Philippines 99-year Mutual Assistance Pact of March 1947, in addition to making bases available, provided for the voluntary enlistment of Filipinos in the U.S. Army and Navy, and approved the dispatch of an American Military Mission to the Philippines to assist in developing the defence forces of the islands.

These missions are of considerable importance. According to the Foreign Policy Report of October 1946, "the difference between the use of missions before and during the war and the use of missions to-day is that now they perform a political purpose of the first importance."



## Chapter Eleven

### ATTACK ABROAD—EUROPE

"We do not want to become American vassals."  
*Count Michael Karolyi, 1947*

How is the policy of America applied in practice in Europe? Let us examine one or two countries.

The most significant in some respects is Germany. In that country, with its close pre-war cartel links with American trusts, and its twelve years of degradation, savagery, and aggression under Hitler, the policy of the present rulers of America runs true to its falsity. The Left, anti-Nazi, is unwelcome because it is Left, is pro-Soviet, and is based on the working-class. The big industrialists, Nazis of course, are in favour because they can be used to build up Germany as part of the machinery of American power against the Soviet Union, and against Britain, too.

De-Nazification in the American Zone has been largely frustrated; Nazis are left in office—on the old excuse that they have experience!—until the Munich correspondent of the *Observer* had to report: "Very often the Germans find that the same people who bossed and bullied them for twelve years continue to hold their official jobs, and continue to boss and bully them . . .", and the Social Democratic Party in the Western zones stated in a unanimous resolution: "In politics, economics and administration the same forces that brought Germany to disaster are still ruling."

In the same way, the American occupation authorities favour the Right-wing political party, the Christian Social Union, which has a good many disguised Nazis inside it; and the

Catholic Church, the main support of that party, openly attacks de-Nazification. A pastoral letter from one Catholic bishop denounced it as "an infringement of the German people's sense of justice".

More important still are the steps taken by the Americans to rebuild German industries. The statement of Mr. Dean Acheson about rebuilding Germany (and Japan) as "the two great workshops . . . upon whom the ultimate recovery of the two continents so largely depends" has already been quoted; an equally frank speech had come a few months earlier, on the 17th January, 1947, in New York, from Mr. John Foster Dulles—who was soon after appointed as diplomatic adviser to General Marshall, the new Secretary of State, at the 1947 Moscow Conference. The speech was endorsed in advance by the Republicans Dewey and Taft.

Basing his argument on the need for providing a check to Russian expansion and in particular to the advance of Communism, Mr. Dulles urged that America should throw its weight behind the project of a federated Europe, whose economic heart would be the Ruhr. He said:

"The basin of the Rhine with its coal and industrious manpower constitutes the natural economic heart of Western Europe. From that area ought to flow vitality not merely for Germans but for Germany's Western neighbours. If that happens, Western Europe at least with its 200,000,000 people could develop into a more prosperous and stable land. That, however, is not likely to happen if the German Peace Treaty merely re-establishes Germany as a single economic unit, subject only to German political control, which even if originally decentralised could again become highly centralised . . ."

Once again, the pattern is clear. In despite of all the international declarations, and in the teeth of the healthy public opinion of Roosevelt's America—which has even succeeded in initiating the great War Crimes Trial of the heads of I.G.



Farben—the new rulers, with their many pre-war associations with the German combines (mentioned above), and their determination to dominate the world and to fight Socialism (which they label Communism) whenever they see it, mean to rebuild a powerful Germany on the basis of the Ruhr industries, with themselves in the saddle and the old owners and managers as junior partners, rejecting the Soviet reliance on the agreement for four-power control of that vital region. If they are not stopped, they will repeat in an intensified form and at a more rapid tempo all the horrors of the '20s and the '30s.

The recent fusion of the American and British Zones and the shelving of plans for the nationalisation of heavy industries in the British Zone is more significant than ever in the light of these moves. It is noteworthy that the *Daily Telegraph* Washington correspondent (May 15th, 1947) reports:

The United States is prepared sooner rather than later to undertake the whole financial burden of German industrial recovery in the joint Anglo-American zone . . .

It is indicated that in these circumstances the Americans will not go along with the British policy of socialising German industry.

In Italy recent events show American attempts to interfere in the internal affairs of the country by excluding the Communists and the Socialists from the Government. When de Gasperi, the Christian Democrat Prime Minister, returned from his visit to America in January 1947, he announced the resignation of his Government without even calling a meeting of the Council of Ministers or reporting the result of his mission. A leading Italian Catholic paper, defending his action, wrote that "American help to Italy will depend on the stability of our internal conditions. Signor de Gasperi's perfectly appropriate decision is based on the necessity to give the required guarantee." During the ensuing negotiations for the

formation of the new government, de Gasperi told the Press that he agreed to form a new Cabinet only because he wished to preserve for Italy the benefits of his journey to America!

The new Cabinet formed in February did include both Socialists and Communists, under popular pressure; but in mid-May 1947 a new crisis broke out and after prolonged negotiations de Gasperi appeared again as Prime Minister of a minority Government, from which all representatives of the powerful Socialist and Communist Parties were excluded. *The Times* Rome correspondent, commenting on these events and the possibility of strikes which might result from the existing situation, says significantly: "The prospect of early loans from America is one thing which may temporarily stave off this danger"! It was not without reason that Pietro Nenni, the leader of the Italian Socialist Party, asserted in April last that the U.S. threat of interference in European affairs created a danger of the colonisation of Italy, and—appealing, as it were, from America drunk to America sober—declared his confidence that the American people would change this policy. "One must believe," he said, "that the American people, who have always upheld democratic traditions, will sense the limits which must not be overstepped. Europe must herself decide her political and social problem."

Turning to Belgium, the most interesting story is that of the drain of uranium from the Congo to the U.S.A. It illustrates both the unreality of any "sovereign independent state" when faced with a Great Power controlled by powerful combines, and the incapacity of modern capitalist states to develop for man's benefit the resources of the earth and their own scientific discoveries.

The Belgian Congo has between 70% and 80% of the world's known uranium deposits. They are rich deposits; while it is practicable to work ores containing only 300 grammes to the ton, some of these deposits yield 600 kilos, or 2,000 times as



much. Morally, the Congo belongs to its people; in law, Belgium has undisputed sovereignty over it, and the U.S.A. has as much right to control it as I have. But the uranium goes to America, 1,110 tons in 1942, 8,287 tons in 1943, 7,969 tons in 1944—all directly useful to the war effort—and then, when the time has fully come for scientists to work on the development of atomic energy which shall lighten the toil of mankind to an extent far beyond the wildest imaginations, 9,967 tons in 1945, and approximately 80,000 tons in 1946. (The energy value of 10,000 tons of uranium ore is equal to that of the total amount of coal and petroleum produced in twelve months in the whole world.)

And it *all* goes to the U.S.A. A little of it is allowed to go on to Britain afterwards, but the Belgians themselves cannot even get enough to carry on their experiments in atomic energy.

What could the world do with that energy, with the help of its many good scientists? What could Belgium do with it? We know the inspiring answers to those questions. The more important question, alas, is: What does America do with it? Well, if her ruling class were to turn it into energy it would destroy the value of all their vast investments in power production—coal, petroleum, electricity; it is significant that the atomic energy plant in the U.S.A. has recently been transferred from Du Ponts to—of all interested people—the giant General Electric Corporation! Atomic energy would no doubt bring a new age of freedom from want, of leisure, of cultural development, of beauty, but it would destroy investments. So, it goes into atom bombs, all of it.

What does Belgium do? It would be interesting to speculate what sort of clash would come if Belgium were to decide to prohibit or limit the export of uranium ore, or to raise the present modest export duty to a prohibitive figure. It would have in one way or another to fight the radium and uranium

consortium, which controls all the uranium deposits in the capitalist world, as well as the U.S. Government. But Belgium will not do so. Important elements of her ruling class are ranged against the interests of the people; they are not only linked with the Americans in a uranium cartel, but are anxious in their turn about their own investments in coal and petroleum and electricity; and they are no keener than their friends in America to see atomic energy develop. They will see to it that Belgium takes no counter-action.

France is, of course, exceedingly important to American Big Business. She is a great country; the Communist Party is her largest single party; and her politics are imbued with much more sympathy to the Soviet Union than those of any other country in Western Europe. In the circumstances, American Toryism holds it particularly necessary to thwart her progressive tendencies; but France cannot be bullied openly and directly like smaller countries. So at present they turn to de Gaulle, forgetting the bitter campaign they carried out against him during the war, when they regarded him as tainted with Left-wing connexions; and they support his campaign to subvert the new French constitution and to establish a personal dictatorship. The American Press in May 1947 suggested that the U.S. would extend the new "Truman doctrine" to France by indirect methods, that is, by having the International Reconstruction and Development Bank grant France a loan of \$250,000,000 on condition that the Communists were excluded from the Government! Whether or not the Press was telling the facts, in the first week in May the Communist Ministers were expelled from the French Government, and a few days later (on May 9th) the World Bank announced the grant of its first loan, a credit to France of £62,500,000 (\$250,000,000).

Hungary provides a clear example of the American technique of interference to "destroy the Reds" and weaken the U.S.S.R., and an example too of the way in which the conduct



of the U.S. Government "this time" is paralleled by the events after the First World War. Then, too, food was the weapon; Hoover held the gun, and with it brought down the Hungarian Government, and replaced it by a Fascist, Horthy.

Of events in Hungary, where a Soviet regime had been set up under the leadership of Bela Kun—his government included Rakosi, present Vice-Premier of Hungary, who spent practically all the years between the wars in one of Horthy's prisons—Hoover's assistant Gregory gave this description:

A dramatic and perhaps more significant check was given Bolshevism in Hungary, where a handful of Americans, employing only economic weapons, brought down the Government of Bela Kun . . . It proved indisputably the power of food and economic factors as modern weapons for the curtailing of unconscionable political ambitions and for preserving international peace. To paraphrase the adage, "Bread is mightier than the sword."

Gregory himself induced two of Bela Kun's Social Democratic colleagues, Agoston and Haubricht, to agree to overthrow their Communist leader in return for raising the allied blockade and a promise of food supplies. Just before the agreed date, Mr. Gregory performed what is nowadays called a double cross; he summoned the Hungarian Soviet representative in Vienna, to whom he had previously refused all help, and said that he was now prepared to supply food to Hungary in return for "cold cash". He afterwards related with relish how the eyes of the simple Hungarian Communist filled with tears at the prospect of food for his starving compatriots. He produced and paid \$1,000,000, and Gregory dispatched food trains from Trieste; but he timed them to arrive after the Social-Democrat coup he had arranged; and so they did. But Agoston and Haubricht were not allowed to enjoy their power for long; they were thrown into prison; and it must presumably be put to Mr. Gregory's credit that he later managed to get them out!

With this precedent, with Mr. Hoover still occupying an important position in connexion with the distribution of food supplies to hungry nations, and with his mentality reproduced in many of the people concerned, it is easy to understand the background of the "crisis" in Hungary in June 1947. A conspiracy to upset the Coalition government, in which the strongest elements were the Right-centre Smallholders' Party, and to replace it by a "Horthy" or "legitimist" government, unfriendly to the Soviet Union, was admitted on all hands to be in existence; but when, in May, the Soviet occupation authorities communicated to the Hungarian government information which appeared to implicate the Prime Minister, M. Nagy, in the plot and he immediately fled from Switzerland, where he was conveniently taking a holiday, to the U.S.A., Mr. Truman described the matter as a "terrible outrage", and it was suggested that the Communists had seized power! The credit of \$30,000,000 granted by the U.S. to Hungary in February 1947 was immediately blocked; and other relief earmarked for Hungary was diverted.

It is appropriate to recall that the Liberal "elder statesman" of Hungary, Count Michael Karolyi, speaking in April at Cairo, as head of the Hungarian Parliamentary Delegation to a meeting there of the Inter-Parliamentary Union, had said:

We do not want to become American vassals. We do not want to become vassals of the U.S.S.R. either, but she does not seek to treat us that way. America, however, seeks to isolate us from our neighbours.

Greece and Turkey have already been discussed in connection with political and military aid under the Truman doctrine; but they are, of course, subjected to economic colonisation at the same time. As for Greece, Mr. Paul A. Porter, Chief of the American Economic Mission to Greece, told the House Foreign Affairs Committee on Friday, May 8th, 1947, that the



American Recovery Mission to Greece would advise on the formation of Greek fiscal policy, and work together with the Currency Committee with power over additional currency. He added: "An office of Foreign Trade Administrator should be created, with an American as Administrator, with full power over all imports and exports". Economically, of course, this copious American aid is in a sense a disaster for her. One-tenth of the money the Truman doctrine is providing would suffice to put her on the road to recovery if it were spent productively; but at the moment the sort of "aid" she is getting is U.S. "sanction" to an increase of 35,000 men in her Army, paid for with the U.S. aid money, and trained by the British Military Mission, in agreement with the U.S. controllers, to carry on a civil war against the guerrilla forces of Greek democracy.

In Turkey, too, American business men, bankers, and experts, including many experts in oil drilling, are arriving; contracts are being made for the construction of airfields and the extension of existing airfields "to accommodate the biggest aircraft", with the aid of American capital.

The economic colonisation of these two countries by the U.S.A. may not be the primary motive of Truman's aid; but it comes in; their sovereignty is completely undermined, and so is any chance of Britain retaining any colonising position, or even her former trade.

## Chapter Twelve

### ATTACK ABROAD—LATIN AMERICA AND THE FAR EAST

"America to-day is pioneering with new forms which leave the old pre-war colonial contents unchanged."

*Far Eastern Survey*, June 1946

PROCEDURE similar to that just described is employed in other parts of the world, and the position in a few of these countries may be examined.

To begin with the largest country, the recent history of U.S. action in China shows the same familiar pattern of imperialist colonisation.

At Moscow, in December 1945, the U.S. had agreed not to intervene in China, where a war had been raging at intervals for many years between the Kuo Min Tang forces of Chiang Kai-shek and the National Liberation Forces led by the Communists and other democratic elements; but in defiance of the agreement intervention has continued ever since.

Taking first the economic field, the American Commercial Treaty with China, signed in November 1946, turns China into an economic colony. Among other things, it forbids China to discriminate against the U.S., grants U.S. corporations most-favoured-nation rights in China with respect to mining and internal and coastal shipping, and gives U.S. nationals the same rights in China as are possessed by Chinese nationals "to carry on commercial, manufacturing, processing, scientific, educational, religious and philanthropic activities". Clearly, "equality of rights" between vastly powerful U.S. finance



capital and undeveloped Chinese capital is the equality of the elephant at the chickens' dance. The Chinese paper *Ta-kung pao* remarked that just as the U.K., with the aid of the unequal treaty concluded after the Opium War, brought China under her sway for 100 years, so the new Treaty threatens to bring China under U.S. sway for 100 years. Plans are in hand for further large U.S. investments of several billion dollars. In short, the American monopolies are taking over Chinese industry and finance.

In the military field, closely allied with the politico-economic, in spite of several "official" efforts to make peace in China between the two opposing forces, the real American policy has been consistently to give economic and military and political aid to Chiang Kai-shek, and to support all his efforts to crush the National Liberation Forces by violent means. Vast sums of money have been supplied to him for this purpose. From August 1945 to August 1946 the U.S. Government provided him in one form or another with goods worth some \$4,000,000,000. In August 1946 the Kuo Min Tang was assigned "surplus U.S. property" on Okinawa, Saipan and other islands, originally valued at \$885,000,000. Lease-Lend deliveries to Chiang Kai-shek have totalled more since the end of the war than during the war, and in addition U.N.R.R.A. deliveries have reached \$675,000,000.

In mid-June 1946 a Bill was introduced into Congress providing for the rearming, equipment and training by American specialists of a Chinese army 1,000,000 strong. The Senate voted to give China 270 naval vessels, including battleships, destroyers and submarines.

Moreover, direct military aid has been given on a large scale. Troops and marines, instructors and liaison officers remain, transporting Kuo Min Tang troops and material, and holding areas evacuated by the Japanese until Kuo Min Tang troops can reach them. In December 1946 President Truman declared

that the U.S. Army headquarters and 12,000 troops would remain in China for an unspecified time.

Thus and thus only has Chiang Kai-shek been able to continue the Civil War in spite of the hopeless corruption of his regime, and the popularity of the democratic reforms in the liberated areas. He has, however, had relatively little success, and the Americans, reluctant to throw good dollars after what are proving to be bad dollars, have begun to withdraw personnel and to delay loans, though they are still assisting by off-loading millions of rounds of ammunition and other war surplus on the Chinese Government forces.

In relation to Japan, a defeated Fascist country still under theoretically joint occupation, the domination by the U.S. is most striking. American capital and business firms are penetrating all Japanese industry—source of cheap labour and production—while other interested parties such as British and Australian business are severely limited in their chances of trade. The pliable Right-wing Japanese Government is even encouraged to talk of demanding from the Soviet Union the return of the Kuriles, allotted to the U.S.S.R. by the Yalta agreement. While the representative of Australia and Britain often found himself aligned with the Soviet representative against the United States representative, the latter continues to use his dictatorial powers regardless of protests. The most striking example is perhaps the recent one in relation to whaling. The Japanese record in the past has been one of reckless disregard of international whaling regulations and of inefficiency and wastefulness in operation, threatening the whale species with extinction; and, if they were ever to be permitted to carry out expeditions, it should only be by consent of all the allied countries. Yet twice within a year the "Supreme Commander" has authorised by unilateral decision such expeditions, in the teeth of protests from Australia; and the second authorisation was made (without prior consultation with Australia) after an



express undertaking by the State Department, given as a result of protests against the first, that no further expeditions would be authorised without prior consultation with the interested powers. The admitted purpose of the second expedition, moreover, is to enable the Japanese to kill whales beyond the quota agreed by fourteen nations at Washington in November-December 1946.

In the Latin-American countries the process of colonisation—which once again involves in most cases attempts to drive out the British “sitting tenant”—has been carried further. During the war the U.S.A. greatly strengthened its economic position in Latin America and squeezed out competing British capital. At the Conference of American foreign ministers which took place in Rio de Janeiro in January 1942 an economic charter was adopted which sought to establish an economic *bloc* under exclusive U.S. leadership; one of the ten “principles” of the charter called for the “promotion of a system of private enterprise”. Several aspects of the charter were sharply opposed by progressive Latin-American opinion; the President of the Confederation of Labour of Latin America, Vicente Lombardo Toledano, criticised it for failing to restrict the investments of foreign capital, “such investments being, as they have been, the main factor in Latin-American uneven and backward economic structure”. The Confederation also protested against the emphasis laid in the economic charter on private enterprise and on the non-intervention of the State in national or international economy. Approval of such a thesis would mean giving the monopolists the very weapons they need to wipe out medium and small industry and commerce throughout Latin America.

A few of the countries of Latin America may briefly be cited as examples of U.S. economic and military preparation. In Brazil, U.S. capital has taken over most of the large German and Japanese holdings, almost wholly excluding Brazilian

capital; and a growing glass industry which was developing an export business was dealt with by the old device of importing into Brazil enormous quantities of glass and selling them at low prices; as a result, one of the Brazilian factories has already closed down, and U.S. capital is preparing to buy out the others “at a price”.

Parallel with the industrial drive comes the political. The American Ambassador has repeatedly urged the Brazilian Government to take measures against the rapidly growing Communist movement; and early in May 1947 it was announced that the Brazilian Government of General Dutra had banned the Communist Party.

Chile has a similar story. According to the Chilean radio, when the Chilean Minister of Finance sought a loan from the U.S.A., he was told that “as long as the Communist Party is represented in Chile’s public administration, not much goodwill will be shown to requests of a financial nature advanced by the Chilean Government”; and, again, when the Chilean National Railway Corporation tried to order rolling stock in the U.S., its New York representatives were told that “little interest would be shown in any orders so long as representatives of the Communist Party sit in the councils of the Chilean Government”. Not long after, the Communist ministers were dropped from the Chilean Cabinet.

The Philippines have been given independence in legal theory, but in substance have been made into an economic and military colony. The Bell Trade Act, passed by Congress at the end of 1946, gives U.S. citizens equal rights with Filipinos in the exploitation of natural resources, and preserves the favoured position of American corporations in Philippine trade. The Mutual Assistance Pact of March 1947 has already been mentioned, and the best illustration of the way in which reaction has seized control is to be found in the fact that the Filipino guerrilla forces who heroically fought against the



Japanese occupation are now being hunted as bandits in the hills, whilst Roxas, the acknowledged collaborator with the Japanese, is President of the Philippines.

The American Liberal periodical *Far Eastern Survey* summed up the position :

On July 4, 1946, America will officially withdraw its sovereignty from the Philippines. But the birth of the Philippine Republic has been surrounded with so many qualifications and amendments that it no longer proclaims the dawn of a new Asia. America to-day is pioneering with new forms which leave the old pre-war colonial contents unchanged.

### Chapter Thirteen

## BRITAIN AND AMERICA

"As one patriotic American I am utterly opposed to this policy of imperialism. . . . It will end by uniting the world against America and dividing America against herself."

Mr. Henry Wallace, April 12th, 1947, at Manchester, England

I HAVE now told very briefly the story of America's growing strength and of the uses to which her present rulers are seeking to put it. Before discussing what our future relations with the U.S.A. are to be, and what we must do to improve them and secure peace, I must examine for a moment our own position.

We have of course many elements of strength. Through the war years and after, we raised our prestige in the world far higher than it was before the war; and if we have not resolved all our conflicts at home, we are at any rate moving towards a decision of them in favour of the majority of the people, under the Labour Government which we elected in 1945. In the more material field we have increased the number of our skilled industrial workers and the volume of our modern industrial equipment.

Nevertheless, the war—a war rendered longer and more exhausting by the reinforcements our pre-war foreign policy gave to the Fascist countries, in the attempt to build them up against the U.S.S.R.—has left us weak in many ways. The position is stated in "Statistical Material presented during the Washington Negotiations" (1945). During the war, as this shows, our export trade shrank to less than one-third of its pre-war volume. Our tonnage of merchant shipping after the war was only 13,000,000 tons compared with 17,000,000 pre-war (whilst U.S. tonnage had risen from 7,500,000 to



38,000,000). Our net income from overseas investments in 1945 was less than half that of 1938. Nearly all our marketable dollar securities had been compulsorily acquired for sale or pledge in order to finance purchases in the U.S.A. before Lend-Lease was introduced by Roosevelt. Our overseas debt at the end of the war was about £4,000,000,000. Our gold and dollar holdings, and those of other countries in the sterling area, were mobilised and freely spent in the critical days of 1939-41, mainly for the purchase of war supplies from U.S.A. In April 1941, before the benefits of Lend-Lease could be felt, reserves fell to £3,000,000; they were built up again to some extent, but were still below pre-war level by the end of the war.

Whether it was wise or unwise for us to enter into the American Loan agreement, both the onerous terms of the loan and the rate and the nature of its expenditure produce weaknesses in our present position. By the terms of the Loan—which we have not yet succeeded in modifying—Britain must not discriminate against goods from the dollar area in any way, but must admit American goods of any description that she imports or wishes to import from the Empire, Dominions, Europe, or any other part of the non-dollar world. If she wishes, for example, to import Czech films or Australian books, she has to open her door equally to American films and American books.

The loan, whose value in terms of goods was reduced by at least 25% through the rise in American prices just after it was granted, will probably be exhausted before 1948 arrives; and very little of it has been spent on essential equipment for reconstruction; only 5% of our dollar expenditure in the second half of 1946, for instance, was on machinery, whilst nearly one-quarter of our expenditure in the U.S.A. during the whole of 1946 (£50,753,743) was spent on tobacco.

The indirect political consequences of the loan were clearly

recognised by Mr. G. D. H. Cole, who wrote of them in the *New Statesman and Nation*, on the 5th April, 1947:

The very existence of the loan has enabled the Americans to impose on us obligations which we should have otherwise been forced to reject because they would have been altogether beyond our immediate power. We should have been unable to go on garrisoning Greece against the Russians or dallying disastrously in Palestine, or acting as capitalist policemen throughout the Centre and Middle East . . . Rejection of the Loan, had it been possible, would have forced us at once to restrict our military and imperial commitments and to come to terms with the Soviet Union . . . We should have been under the sheer necessity of reorganising our own metal and engineering industries to meet the demands of industrial re-equipment.

That is our position. It makes a striking contrast to America, which the same war that so weakened us has brought to overwhelming power. How does her ruling class, as it sets out to dominate the world in general, seek to treat Great Britain, and what—as it contemplates our future—are its needs and its fears?

Let us take a typically frank statement, made in December 1940, by Mr. Virgil Jordan, President of the National Industrial Conference Board:

Whatever the outcome of the war, America has embarked upon a career of imperialism both in world affairs and in every aspect of her life . . . Even though by our aid England should emerge from this struggle without defeat, she will be so impoverished economically and crippled in prestige that it is improbable that she will be able to resume or maintain the dominant position in world affairs which she has occupied so long. At best, England will become a junior partner in a new Anglo-Saxon Imperialism, in which the economic resources and the military and naval strength of the U.S. will be the centre of gravity. Southwards, in our hemisphere, and Westward in the Pacific, the path of empire takes its way, and in modern terms



of economic power as well as political prestige, the sceptre passes to the U.S.

Powerful countries naturally seek to expand, but an additional driving force in this case is anxiety. The America for which Mr. Jordan was speaking is supremely uneasy. She fears the extension of Socialism, and the strength and influence of the Soviet Union. She fears her coming slump, from which she sees no escape that would not either strengthen Mr. Henry Wallace and the Left generally, or lead to Fascism and atomic war. And she fears, more than anything else, that her economic system will prove unable to give her citizens work or maintenance on any reasonable standard, and will thus demonstrate its own adequacy.

She thus needs not merely to win every export market she can capture or create, but also to keep Britain within the capitalist system, as an outpost in her ideological war against Socialism and Communism. Mr. Spence, Chairman of the House of Representatives Banking and Currency Committee, made this frank contribution to the discussions of the proposed Loan to Britain in May 1946: "The association of Great Britain and the U.S., for which the Loan would prepare, would erect a bulwark against the possible spread of Communism in Europe."

She needs also to keep our foreign policy tied to hers in a united front against Soviet policy, a common line in Greece and Turkey, and a co-ordinated policy in Germany. So far, she has achieved this pretty well. In spite of the Anglo-Soviet Pact British foreign policy has kept closely to that of the State Department, as may be seen from the parallel hostile notes to all countries of Eastern Europe on any and every pretext, the adoption by British delegates of American policy at the peace conferences, and the fusion of the two zones in Germany (which is inevitably working as badly as the zones worked when they were separate, because the fundamental problems of land

reform and Socialised economy are left untouched in deference to U.S. dislikes and to U.S. plans for the restoration of German capitalism under American control).

What is the correct policy for Britain in these conditions? We have to win our Labour Government to a policy which will strengthen the other America, the democratic and progressive elements who now confront the Wall Street Colossus, standing heavily and uneasily on its feet of clay. And the world in which we face these two Americas holds also the great Socialist State of the U.S.S.R., the many and new progressive democracies in Eastern and Central Europe, and hundreds of millions of awakening peoples in Asia—Indians, Indonesians, Chinese—demanding freedom, independence, and better standards of living.

We can reject the dilemma offered by pessimists or reactionaries, of a choice between increased dependence on America—accompanied, they hope, by many crumbs from the rich man's table—and combination with the Soviet Union and Eastern Europe in what would become an anti-American *bloc*, involving—with the American reactions to it—a temporary lower standard of living, perhaps economic collapse, and probably the Third World War.

There is no such dilemma. We can be friends with the American people, and with Eastern Europe and Asia at the same time; and we can solve—in a world where no nation is independent of others—both our own problems and the world problems in whose solution we have to share.

The main world problem is two-fold:

First, can the world live in peace and security whilst the U.S.S.R. remains socialist and the U.S.A. capitalist?

Secondly, in the fight for that peace and security, can the recovery of Europe be hastened by a judicious use of America's superabundant productivity?

On the answer to the first question depends the very existence



of most countries, and not least of ours, for we live, politically, economically, and geographically, in the line of fire, and present a massed target.

The answer is, to my mind, clearly: Yes, we can live at peace, if we and others act sensibly. The peoples and Government of the U.S.S.R. are convinced that peace can be kept whilst the two systems co-exist; Premier Stalin has expressed this emphatically several times, and peace lies at the root of all Soviet needs and ambitions. We in Britain want and need peace as much; and I think we are equally convinced that it can be maintained. In the U.S.A., the position is not so favourable. The people want peace, of course; progressive political elements are sure that it can be maintained, and determined that it shall be. But there remains a minority, holding most of the power and making most of the noise, which would, no doubt, prefer peace to war, but would much prefer war to Socialism. It fears that, if the U.S.S.R. is not crushed, her influence and example will be followed in one country after another, bringing an end to their power, even if at the same time it brings to scores of millions an end to unemployment and racial and economic injustice, and an enthusiasm in reconstruction which will conquer all economic problems. This minority, with its fears and its power, brings nearer the possibility of war abroad and Fascism in America.

At present this minority, the rulers of the U.S.A., are working in effect for a negative answer to the first question, in the hope of destroying the power of the U.S.S.R. and controlling the economies of the countries in South-eastern Europe. The Truman doctrine—tanks and guns for anti-Soviet governments, and “selective aid”, with strings to every dollar lent—is their doctrine; but there is much opposition to the doctrine in U.S.A., including the proposals of Mr. Henry Wallace and others for large-scale loans to Europe and the world, to help in general recovery. That brings us to the second question.

Here the answer is that Europe can clearly be set on her feet if the Truman doctrine be replaced by a policy of broad general aid, unrelated to politics, and taking the form not of military aid but of goods which will benefit the European populations directly and the U.S.A. and the rest of the world indirectly.

What are the prospects of achieving such a policy? They depend on domestic politics in the U.S.A., on the timing and the intensity of the American slump, on the resistance of American workers to the efforts of American Big Business to crush their unions, on the crisis in Britain and the measures we take to meet it, on the growing power of the U.S.S.R., and on many other developments.

The “Marshall Plan” calls for study here. It was introduced to the world on June 5th, 1947, in a speech made by Mr. Marshall at Harvard University. He began by stating that Europe was in economic difficulties, that her requirements of supplies from abroad for the next three or four years were much greater than her present ability to pay, and that, if she did not have help, she would face economic, social and political deterioration. This, he said, would demoralise the world and lead to disturbances in Europe, and would injure U.S. economy as well; and the U.S. ought to help to restore “normal economic health” in the world. He added:

Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos . . . Any government that is willing to assist in the task of recovery will find full co-operation, I am sure, on the part of the United States Government. Any government which manoeuvres to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties, or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise, will encounter the opposition of the United States.

He proposed that the European countries should agree as to their needs, and the part that they could play to cure their



economic troubles; and that they—and not the U.S.A.—should draw up a joint plan, “agreed to by a number, if not all European nations”.

Mr. Marshall made no direct reference to the U.S.S.R., but various phrases in his speech were typical of the formulae used in attempts to exclude her without direct mention; and Right-wing comment in both U.S.A. and Britain generally accepted the plan as merely carrying the anti-Soviet Truman doctrine a stage further, and changing it from a piecemeal to a wholesale basis.

A week later, however, on June 12th, Mr. Marshall stated, in answer to a question at a Press conference, that his proposals “covered all countries west of Asia”. It is not clear which of many possible motives led him to this step, but subsequent events make it difficult to believe that there was any real intention or desire that the U.S.S.R. should in fact join in the plan, still less any prospect of the present Republican-dominated Congress voting any money for the plan if the U.S.S.R. was to participate.

The U.S.S.R. was invited, a little later, to discuss the proposals. Space does not admit of a detailed description of the manoeuvres that accompanied the invitation, or the proposals put before Mr. Molotov in Paris. The proposals plainly involved grave limitations on the sovereign rights of the smaller European countries to develop their economies in their own way, and included the reconstruction of the Ruhr industries with no guarantee against their becoming once again a threat to world peace, under the domination of German (or this time of American) reactionaries. And Mr. Molotov inevitably rejected them.

“European” discussions on the plan proceeded, with much of Europe absent, but there is no sign that governmental circles either in the U.S.A. or Britain are undergoing any real changes of outlook or policy; the American Press is still “fighting

Socialism”, and “helping Western Europe to halt the spread of Russo-Communism”. Worse, the Senate emphasised the present anti-progressive trend by passing the Hartley-Taft anti-Labour Bill, against Mr. Truman's veto, just about the time Mr. Molotov accepted the Paris invitation. The probable attitude of Congress, which would have to authorise the expenditure involved in any large-scale loans to Europe, to such expenditure is illustrated by the Preliminary Report of the Foreign Economic Policy Sub-Committee of the Congress Committee on Foreign Affairs, published at the end of June 1947. The report, which is strongly anti-Soviet in tone, presents really two main theses; the first, that America has already over-spent herself, both in aid to Europe and in other exports, to such an extent that she can scarcely afford to make any more loans—that she should indeed regard herself as a debtor and not a creditor nation; the second, that any further advances that she makes must be confined to “areas in which Western civilisation can be preserved”, the primary method of such preservation being expressed to be the building up of Germany and Japan<sup>1</sup>. The report also contains the plainest possible hints that, as a condition of any further extension of credits to Britain, she should be compelled to come to terms on the pooling of the Ruhr with the American occupation zone, on American terms; that the U.S.S.R. should be deprived of even the reparations to which she is entitled by treaty; and that by way of “strings to dollars” all borrowers should submit to American economic supervision—for example, Italian man-power should be sent to work German coal-mines, and “systems which we are aiding (e.g., England)” should cut down “aid to Russia and satellite countries, and co-operate in the development of the Ruhr and other common problems.”

<sup>1</sup> This is neatly paralleled by ex-President Hoover, who a few weeks earlier was proposing that the U.S.A. should sign a separate peace with Germany and Japan, on the ground that these “two great centres of production” must be restored, as “the most vital frontiers of western civilisation”.



It is clear that there was no foundation for the belief that the Marshall plan involved any change for the better from the Truman doctrine, of which it is in truth merely a logical extension. But it does not follow that the plan will not be resisted, in Europe as well as in America. The proposal to rebuild the Ruhr under American auspices—in truth an essential element of the Marshall plan—will awaken the strongest possible opposition in France on grounds of military security alone. And in Britain it will soon be realised that the increased production of steel in the Ruhr under American control will present formidable competition with the British steel industry, whether it be nationalised or not.

On a view of the whole picture, the very intensity and extravagance with which the present European policy of the American ruling class is expressed and developed is evidence of weakness, not of strength, and the policy may thus come to be modified by their domestic difficulties, and by pressures from their own progressive forces. This process will obviously be greatly helped if we can force the British Government to improve its relations with the Soviet Union and the Eastern European countries, and to return earnestly and sincerely to the work of building up real friendship between the three Great Powers.

What policy should we adopt, in that framework, for the solution of our own particular economic problems? Plainly, we must develop trade with the Soviet Union and Eastern Europe, and with the colonial peoples, including the vast populations of Asia; we must continue the work for the complete freedom of these colonial peoples—already carried some way—and secure them the opportunity to develop their own natural resources, and thus to increase their standards of living and their capacity to trade with us. We must also plan our own economy more fully, and co-ordinate it with the economies of other "planning" countries, besides developing trade with

European countries not yet working to a planned economy. In this way we shall increase our trade with the countries with whom we can naturally and easily exchange—our normal economic allies—instead of tying ourselves to the unstable economy of America; no one should want to be tied to a swimmer, however powerful, if he may get cramp and sink like a stone.

We should plan more fully in our home policy too. We should accelerate nationalisation, develop coal and engineering to the maximum, increase food production, and release at least 800,000 troops from the forces to work usefully in industry. If this is not done we shall have not just our present difficulties, but grave crises.

Can these policies be carried out? And do they connote hostility to the U.S.A.?

I think favourable answers can be given to these questions. It is true, of course, that we have to demand changes in various arrangements that at present stand with the U.S.A.; but she is in truth, for all her wealth and power, far more dependent on the world than the world is on her. The slump will increase this dependence; and we are the largest import market in the world.

In the circumstances, we must and can reject certain clauses in the Loan-Agreement, and oppose some of the proposals put forward by the U.S.A. at the International Trade Conference at Geneva. We must preserve the right to import from non-dollar countries, and to plan our trade with other countries without interference from vested interests in the U.S. film or wool or tobacco industries. And we must insist on receiving imports of basic construction goods from America at reasonable prices.

One element of strength in our negotiations with the U.S.A. is that we have as allies there not just numbers of progressive intellectuals, or puzzled citizens who feel that U.N.O. is the



hope of the world and that their rulers are in effect destroying the reality of that organisation; we have as well a great Labour movement. There are 14,800,000 organised workers in the American trade unions—an increase of 10,000,000 in the last ten years, of 4,500,000 since 1941, and of 1,000,000 since the war ended; 34 of the major American industries are from 80% to 100% organised; and anti-Labour legislation such as the Hartley-Taft Act is rallying these forces in their millions to a new unity. Whilst there is no political Labour party, indeed no third party as yet that can offer an alternative to the Republican and Democratic Parties, American progressives are finding a new solidarity and fighting capacity.

Reaction is weakening, and likely to grow weaker. We are in a period where, with progressive America and with the Soviet Union, we may bring about changes in policy that will ensure to the peoples of the world the peace, prosperity, and security for which they fought so long, which they have richly earned, and which in 1945 they thought they had truly won.





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